

# **Comprehensive Annual Financial Report**

## **Town of Manchester Connecticut**

Fiscal Year Ended June 30, 2013



Office of the Director of Finance

# **Comprehensive Annual Financial Report**

of the

## **Town of Manchester Connecticut**

Fiscal Year Ended June 30, 2013

Department of Finance  
Gregory R. Simmons  
Director of Finance

**TOWN OF MANCHESTER, CONNECTICUT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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## **Introductory Section**



# *Town of Manchester*

41 Center Street • P.O. Box 191  
Manchester, Connecticut 06045-0191  
[www.ci.manchester.ct.us](http://www.ci.manchester.ct.us)

LOUIS A. SPADACCINI, MAYOR  
MATTHEW B. PEAK, DEPUTY MAYOR  
CHERI A. PELLETIER, SECRETARY

DIRECTORS  
JEFFREY A. BECKMAN  
MICHAEL G. FARINA  
RUDOLPH C. KISSMANN  
LISA P. O'NEILL  
MARK D. TWEEDIE  
KEVIN L. ZINGLER

SCOTT SHANLEY, GENERAL MANAGER

December 21, 2013

Mr. Scott Shanley, General Manager  
Town of Manchester  
41 Center Street  
Manchester, Connecticut

Dear Mr. Shanley:

The Comprehensive Annual Financial Report for the Town of Manchester for the fiscal year ended June 30, 2013 is submitted herewith.

The Town's Finance Department prepared this Comprehensive Annual Financial Report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the Town. The Town believes that the presented data are accurate in all material aspects, that the data fairly set forth the financial position and the results of operations of the Town as measured by financial activity of its various funds, and that all disclosures necessary to enable the reader to understand the Town's financial affairs have been included.

The Town is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, as well as the Connecticut Single Audit Act. Information related to these single audits, including the schedule of expenditures of federal awards and State financial assistance, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations, are issued under separate cover and are not included in this report. A copy of the reports is on file in the Town Clerk's office.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.



## Town of Manchester Government

The Town of Manchester is an independent full-service town. The Town is a political subdivision of the State of Connecticut and is autonomous from any county, town or other political subdivision of the State of Connecticut. The Town was incorporated in 1823, and in 1947 adopted a Council-Manager form of government. The legislative function is performed by the nine-member Board of Directors, which is elected biennially. The Board of Directors formulates policies for the administration of the Town. The General Manager is appointed by the Board of Directors to serve as the Town's Chief Executive Officer with appointive and removal authority over department directors and other employees of the Town. The General Manager is responsible for the implementation of policies established by the Board of Directors. An elected nine member Board of Education appoints a Superintendent of Schools, who administers the education system of the Town.

The Town is located in central Connecticut and is approximately 10 miles east of the City of Hartford, the State capital. The Town is also bordered by the towns of East Hartford, South Windsor, Vernon, Bolton and Glastonbury. It is approximately 85 miles southwest of Boston and 115 miles northeast of New York City. The Town encompasses 27.2 square miles and has a population of 58,289 people.

The Town provides a comprehensive range of municipal services including education, human services, public safety (including full-time paid fire and emergency medical rescue services), public works, recreation, library, landfill, water and sewer, cultural and historic activities, transportation, environmental, and planning.

## Local Economic Condition and Outlook

Manchester continues to maintain a relatively strong and diverse local economy during this period of economic difficulty. The healthcare, aerospace, retail, wholesale trade and finance and insurance industries each have a major regional presence here. Historically an industrial center, Manchester's roughly 100 manufacturing firms include precision machining, plastics molding, metals fabricating and coating, and commercial printing operations. The location of Manchester Memorial Hospital in central Manchester provides a hub for almost 200 of our health care and social service establishments. Because of our exceptional location relative to I-84, I-384, and I-91, all of which converge here, Manchester is a preferred location for warehouse and distribution businesses and for regional retail and service establishments. Manchester's warehouse/ distribution tenants include the J. C. Penney Northeast Warehouse Fulfillment Center, Raymour and Flanigan and Hartford Distributors, as well as many smaller materials handling or freight forwarding businesses. In its historic central business district, and throughout the community, there is a strong finance, insurance, and real estate sector. The business services sector includes accountants, attorneys and other business consulting services.

Manchester's major employers include the Town and Board of Education at 1,672 employees; Manchester Memorial Hospital at 1,500 employees; J.C. Penney Company at 1100 employees; Manchester Community College at 725 employees; Target at 400 employees; GE Aviation at 400 employees; Super Stop & Shop at 381 employees; Allied Printing at 330 employees and Big Y World Class Market at 300 employees. Overall, approximately 29,410 people are employed in Manchester.

The Buckland Hills area lies at the merge of I-84 and I-291 and is a regional center for retail, service, and industrial business. The Buckland Industrial Park is home to J. C. Penney and other industrial and manufacturing firms. Over 3.7 million square feet of retail space makes Buckland Hills one of the largest retail centers in New England. The area serves a market of approximately 20 miles and a market population of over 300,000 people. Major retailers in the area include the Shoppes at Buckland Hills regional mall, anchored by Macy's, Sears, Dick's Sporting Goods, Barnes and Noble, and J. C. Penney. Other retailers include Wal-Mart; Home Depot; BJ's Wholesale Club; The Sports Authority; and Best Buy, to name but a few. Buckland Hills is also home to over 15 full service restaurants, approximately 400 hotel rooms, a multi-screen movie theater, and roughly 2,000 apartment units.

Manchester is a leader in the region with 8 million square feet of rentable industrial space. The 333 acre Manchester Business Park and 340 acre Buckland Industrial Park anchor a mature and diverse industrial market. Some industrial land remains available near I-291 and opportunities for building expansion exist as well. Manchester's available land and buildings, highway access, full complement of municipal services and utilities, and availability of public transportation will continue to make us a strong location for new business locations and expansions.

#### Major Initiatives

In December 2008, the Manchester Board of Directors expanded the Town's Redevelopment Agency and charged it with creating a redevelopment plan for the Broad Street commercial area. Broad Street was once the Town's commercial center and, although it currently has approximately 750,000 square feet of commercial space in active use, suffers from high vacancy rates and deteriorating conditions. The Redevelopment Agency has since adopted a plan for a mixed-use district of residential, commercial and civic uses. When implemented, the plan would replace blighted conditions with a vibrant, compact neighborhood, extend an existing park to the street, and improve infrastructure conditions in the area. A timeline of the activity is shown in the pictures on the following page.



# The Broad Street Project



### Long-Term Financial Planning and Policies

During FY13, the Town continued to provide emphasis on its policy of having unassigned general fund balance equal 5-7% of General Fund revenues. Unassigned fund balance remained consistent with that goal during the fiscal year. This stability was accomplished during a fiscal year of lower interest income and reduced revenues in the areas relating to the stagnant housing industry.

The Town plans to continue to move incrementally towards the 7% goal.

The Town continued the practice of using fund balance to support, among other items, funding for property tax appeals and agreements, payments for accrued leave to employees and various capital related items that could potentially require funding.

For the next several years, the Town is concerned with the current financial conditions of the State of Connecticut. The State is projecting several years of budget deficits. The impact on Manchester, although not known at this point, could result in a reduction of assistance received from the State. If that happens we will take appropriate action as we have in the past to reduce expenditures.

### Budgeting and Accounting

The Board of Directors adopts both an annual operating and a six-year capital budget in accordance with Chapter V of the Town Charter. Chapter V sets out the procedures and practices used during consideration of both the capital and operating budgets.

The operating budget is legally enacted at the category level, but as a management tool budgeting control is maintained at the object of expenditure level. This is achieved through the use of a full encumbrance system which encumbers appropriations upon the issuance of a purchase order. Encumbrances outstanding at year-end are recorded as budgetary expenditures and reported as a reservation of fund balance.

The Town's accounting system is organized on a fund basis. Each fund is a distinct self-balancing accounting entity. The various funds utilized by the Town of Manchester are further described in Note 1 of the Notes to the financial statements.

The budget is integrated into the accounting system and budgetary data, and as presented in the financial statements for all funds with annual budgets compares expenditures with amended budgets. The Town's accounting records for governmental and expendable trust funds are maintained on a modified accrual basis with revenues being recorded when measurable and available, and expenditures being recorded when the services or goods are received and accepted and the liability is incurred. The accrual basis of accounting is used for proprietary, and certain fiduciary funds. Encumbrances outstanding at year-end are not recorded as expenditures as defined by generally accepted accounting principles (GAAP) and are excluded from liabilities.

### Accounting and Internal Control

The accounting system of the Town of Manchester is dependent on a strong foundation of internal accounting controls to ensure that financial information generated is both accurate and reliable. As such, the Town places a great deal of emphasis on the continuing development and monitoring of its system of internal control.

In conjunction with this goal, internal controls are designed to reasonably safeguard the Town's assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The concept of reasonable assurance recognizes the fact that the cost of controls should not exceed the benefits derived and the evaluation of costs and benefits requires management to make estimates and judgments.

All internal control evaluations operate within the above framework. The relationship of internal control to basic management responsibilities emphasizes the interaction of the accounting system with all other management control systems. We believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### General Fund Unassigned Fund Balance

General Fund Unassigned Fund Balance (budgetary non-GAAP basis) represents that portion of fund balance which is available for appropriation. When evaluating an entity's credit, the rating agencies generally look for this amount to be 2% to 10% of locally generated revenues. In the 06-07 fiscal year, the Board of Directors indicated to the Town staff that it wishes the Town's Unassigned Fund Balance expressed as a percentage of Revenues to increase to fall within the range of 5-7%. The following table shows the Town's operating results and unassigned fund balance position for the past five years:

	FY09	FY10	FY11	FY12	FY13
Revenue (ooo's)	\$156,343	\$152,871	\$155,947	\$163,160	\$164,774
Expenditures	158,176	154,320	155,771	164,021	163,992
Operating Results	(1,833)	(1,449)	176	(861)	782
Unassigned FB	10,363	10,059	10,053	10,636	11,823
Percent of Revenue	6.63	6.58	6.45	6.52	7.18

### Other Information

The Town Charter requires in Chapter V, Section 5-26:

Independent auditor. Within ninety (90) days after taking office after each biennial election, the Board of Directors shall, by majority vote of all of its members, designate an auditor or auditors, who shall be a certified public accountant or accountants, to audit the books and financial affairs of the Town government in accordance with the provisions of the General Statutes. The auditor or auditors so designated shall be designated based on their qualifications and experience in municipal audits, and shall serve until the third Monday in November in the next odd-numbered year following their appointment.

During FY10, the Town solicited proposals from qualified auditing firms to provide audit services for the two-year period FY2010 to FY2011 with the option to renew for two additional years, FY2012 and FY2013. The firm of Blum Shapiro, Certified Public Accountants, was selected as the Town's independent auditors for that period and the subsequent renewals.

The Town's FY13 audit includes an audit of all federal grants in accordance with the Single Audit Act and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, which provides that all state and local governments which receive more than \$500,000 in federal financial assistance must have a federal single audit for the fiscal year. The federal single audit consists of a financial audit, an internal control review, and a compliance audit. The federal single audit is in lieu of any financial and compliance audit requirement by any federal agency. The auditors' reports for the internal control review and compliance audit have been furnished separately to the Town.

The Town's FY13 audit includes an audit of all state financial assistance in compliance with the State Single Audit Act pursuant to CGS Section 4-230 to 236, inclusive (Chapter 55b). Each municipality receiving more than \$100,000 in combined state and federal financial assistance must have a state single audit. An audit conducted in accordance with sections 4-230 to 4-236 inclusive shall be in lieu of any financial or financial and compliance audit of an individual state assistance program. The auditors' reports for the internal control review and compliance audit have been furnished separately to the Town.

### Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Manchester for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town of Manchester has received the Certificate of Achievement each fiscal year since FY1995. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

### Acknowledgments

The preparation of this report could not be accomplished without the effort and dedicated services of the entire staff of the Finance Department. The preparation of the Comprehensive Annual Financial Report though requires a particularly intense effort from all of the Accounting Division staff. I would like to express my appreciation to each of the following staff members:

Susan Alaimo, Accountant  
Heather Boudreaux, Accountant

Special recognition is extended to other members of the Town staff who assisted with the report in their usual professional and proficient manner:

Laura LaBrecque, Payroll Coordinator  
Patricia Brooks, Assistant to the Superintendent, Finance and  
Management, Board of Education

While this CAFR is the result of the diligent efforts of Town staff, it would not be possible without the ongoing support of the Board of Directors and General Manager.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Gregory R. Simmons', with a stylized flourish at the end.

Gregory R. Simmons C.P.A.  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Manchester  
Connecticut**

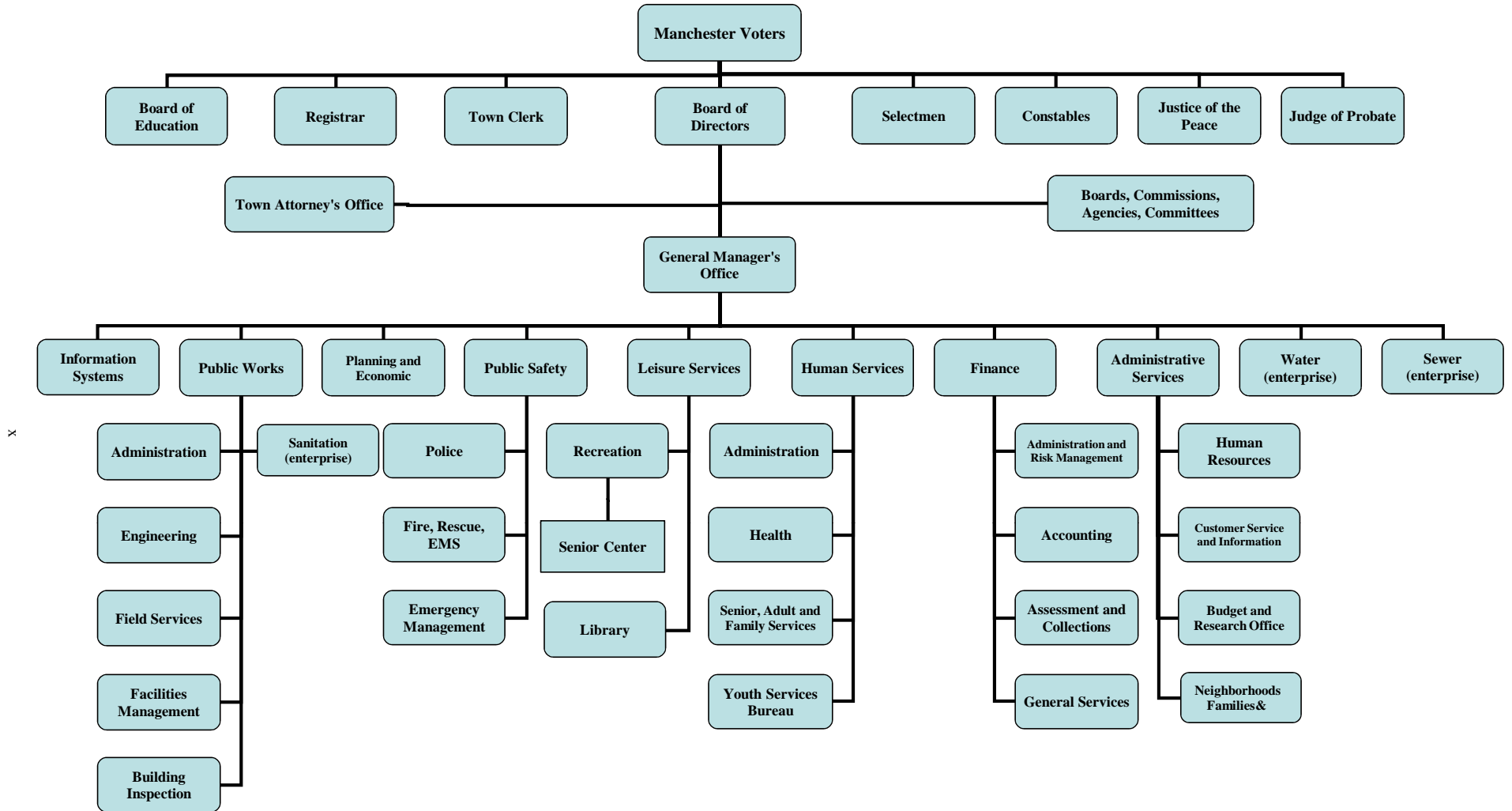
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is written in a cursive, flowing style.

Executive Director/CEO

# Town of Manchester, Connecticut Organization Chart



## **TOWN OF MANCHESTER, CONNECTICUT**

### **LISTING OF PRINCIPAL OFFICIALS**

#### **Board of Directors**

Leo V. Diana, Mayor  
Jay Moran, Deputy Mayor  
Lisa P. O'Neill, Secretary  
Steven Gates  
Susan M. Holmes

Rudy C. Kissmann  
Cheri A. Pelletier  
John D. Topping  
Mark D. Tweedie

Town Clerk  
Registrars of Voters

Joseph V. Camposeo  
Francis Maffee  
Timothy Becker  
Scott Shanley  
Vacant

General Manager  
Director of Operations  
Director of Administrative Services  
Director of Public Works/Town Engineer  
Town Attorney  
Director of Finance

Dede Moore  
Mark Carlino  
Ryan Barry  
Gregory R. Simmons  
John Rainaldi  
Gerald R. Dupont  
Maryann Cherniak-Lexius  
Mary Roche-Cronin  
Jack McCoy  
D. Scott Sprague

Director of Assessment/Collection  
Director of General Services  
Director of Health  
Director of Human Services  
Director of Information Systems  
Director of Parks and Recreation  
Director of Neighborhood Services  
And Economic Development  
Director of Youth Services  
Director of Neighborhoods and Families  
Water/Sewer Administrator  
Library Director  
Chief of Police  
Fire Chief  
Budget and Research Officer

Mark Pellegrini  
Erica Bromley  
Christopher Silver  
Edward Soper  
Douglas McDonough  
Chief Marc Montminy  
Chief Robert Bycholski  
Julian Freund

#### **Board of Education**

Christopher Pattacini, Chairperson  
Michael Crockett  
Maria Waleska-Cruz  
Deborah Hagenow

Ron Atwater  
Neal S. Leon  
Kelly Luxenberg  
Jason P. Scappaticci  
Sarah Walton

Interim Superintendent of Schools

Dr. Richard Kisiel



## **Financial Section**



Accounting | Tax | Business Consulting

## **Independent Auditors' Report**

To the Members of the Board of Directors  
Town of Manchester, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Manchester, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Manchester, Connecticut's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Manchester, Connecticut, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison information on pages 47 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Manchester, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2013 on our consideration of the Town of Manchester, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Manchester, Connecticut's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 21, 2013

**TOWN OF MANCHESTER, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

This discussion and analysis of the Town of Manchester, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2013. Please read this Management Discussion & Analysis (MD&A) in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

**FINANCIAL HIGHLIGHTS**

- The Town's net position increased by \$7.6 million as a result of this year's operations. Net position of the business-type activities increased by \$7.4 million, (or 18.15%). Net position of the governmental activities increased by \$.2 million, (or 0.2%).
- During the year, the Town's governmental activities had expenses that were \$2.3 million more than the \$206 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues increased to \$31 million (or 12.20%) while expenses increased by \$6.4 million (or 23.37%).
- Total cost of all of the Town's programs decreased by \$6.8 million (or 2.87%) to \$229 million. Of the \$6.8 million decrease, \$5.3 million is included in the sanitation category and is attributable to the significant cost of the cleanup from Storm Alfred in 2012.
- The General Fund reported a fund balance this year of \$14.6 million, an increase of \$5 million (or 3.7%).
- Expenditures were kept within spending limits.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

***Government-Wide Financial Statements***

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, we divide the Town into two types of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including education, public safety, public works, human services, leisure services, employee benefits and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water Fund, Sewer Fund and Sanitation Fund are reported here.

### ***Fund Financial Statements***

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Board of Directors establishes many other funds to help control and manage financial activities for particular purposes (such as the Special Taxing District - Fire and Police Special Services Fund) or to show that it is meeting legal responsibilities for using grants and other money (such as grants received and recorded in the Education Special Grants Fund and the Community Development Block Grant Fund). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities, such as the Town's Data Processing Fund and risk management internal service funds.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position increased from \$149.2 million to \$156.8 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

**TABLE 1**  
**NET POSITION**  
**(In Thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$ 62,164	\$ 60,585	\$ 37,815	\$ 32,318	\$ 99,979	\$ 92,903
Capital assets	182,031	181,965	75,160	52,747	257,191	234,712
Total assets	<u>244,195</u>	<u>242,550</u>	<u>112,975</u>	<u>85,065</u>	<u>357,170</u>	<u>327,615</u>
Long-term debt outstanding	120,894	115,163	18,661	17,540	139,555	132,703
Other liabilities	14,441	18,762	46,397	26,968	60,838	45,730
Total liabilities	<u>135,335</u>	<u>133,925</u>	<u>65,058</u>	<u>44,508</u>	<u>200,393</u>	<u>178,433</u>
Net Position:						
Invested in capital assets, net of debt	100,236	103,203	34,397	33,007	134,633	136,210
Restricted	2,310	2,036			2,310	2,036
Unrestricted	<u>6,314</u>	<u>3,386</u>	<u>13,520</u>	<u>7,550</u>	<u>19,834</u>	<u>10,936</u>
Total Net Position	<u>\$ 108,860</u>	<u>\$ 108,625</u>	<u>\$ 47,917</u>	<u>\$ 40,557</u>	<u>\$ 156,777</u>	<u>\$ 149,182</u>

Net position of the Town's governmental activities increased by .22%. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$3.4 million at June 30, 2012 to \$6.3 million at the end of this year.

More specific elements of the change in unrestricted governmental net position resulted from revenue and expenditure items which ended the year overall in a favorable position. Most of the revenue side of the budget had deficits caused primarily from the continued sluggish economy. On the expenditure side, continued delays in filling vacancies in all functions played a large role in providing favorable results. Additionally, the General Fund received a repayment of Storm Alfred costs of 75% from FEMA that is shown as a transfer in from the Sanitation Fund. In the Capital Projects Fund, \$12.3 million was expended for improvements; a majority of these improvements were for roads/sidewalks as well as Broad Street Redevelopment. These capital expenses were partially funded through intergovernmental grants \$2.6 million and transfers in of \$1.2 million. The net position of business-type activities increased by 18.15% (\$47.9 million compared to \$40.6 million in 2012). This net position cannot be used for the governmental activities. The Town generally can only use this net position to finance the continuing operations of the Water, Sewer and Sanitation Funds. Sanitation experienced a decrease in net position of \$745 thousand in the current year. Water and Sewer experienced a net increase in net position. The governmental activities Internal Service net position increased \$3.7 million mainly due to continued positive experience in insurance claims costs.

**TABLE 2**  
**CHANGES IN NET POSITION**  
**(InThousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Revenues:						
Program revenues:						
Charges for services	\$ 6,586	\$ 6,623	\$ 22,925	\$ 21,794	\$ 29,511	\$ 28,417
Operating grants and contributions	55,558	57,418	680	3,791	56,238	61,209
Capital grants and contributions	3,598	7,934	7,302	1,113	10,900	9,047
General revenues:						
Property taxes	134,465	132,767			134,465	132,767
Grants and contributions not restricted to specific purposes	4,064	4,544			4,064	4,544
Unrestricted investment earnings	985	238	(129)	888	856	1,126
Other general revenues	497	439	251	68	748	507
Total revenues	<u>205,753</u>	<u>209,963</u>	<u>31,029</u>	<u>27,654</u>	<u>236,782</u>	<u>237,617</u>
Program expenses:						
General government	6,171	6,134			6,171	6,134
Public safety	35,564	35,008			35,564	35,008
Public works	21,309	22,705			21,309	22,705
Human services	4,480	4,499			4,480	4,499
Leisure services	6,682	6,910			6,682	6,910
Education	130,554	129,950			130,554	129,950
Interest on long-term debt	3,277	3,155			3,277	3,155
Water			7,654	8,223	7,654	8,223
Sewer			6,074	6,593	6,074	6,593
Sanitation			7,422	12,783	7,422	12,783
Total program expenses	<u>208,037</u>	<u>208,361</u>	<u>21,150</u>	<u>27,599</u>	<u>229,187</u>	<u>235,960</u>
Excess (deficiency) before transfers	(2,284)	1,602	9,879	55	7,595	1,657
Transfers	<u>2,519</u>	<u>(290)</u>	<u>(2,519)</u>	<u>290</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	\$ <u>235</u>	\$ <u>1,312</u>	\$ <u>7,360</u>	\$ <u>345</u>	\$ <u>7,595</u>	\$ <u>1,657</u>

The Town's total revenues (Governmental and Business-Type) were \$236.8 million. The total cost of all programs and services (Governmental and Business-Type) was \$229.2 million. The analysis below separately considers the operations of governmental and business-type activities.

### ***Governmental Activities***

The increase in Governmental Activities net position was \$.2 million. The amount invested in capital assets, net of debt decreased by \$3.0 million. Operating grants and contributions decreased by \$5.0 million while capital grants and contributions increased by \$1.9 million. Property taxes increased \$1.7 million over the prior year.

Table 3 presents the cost of each of the Town's five largest programs - public safety, general government, public works, education and leisure services - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.



**TABLE 3**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Education	\$ 130,554	\$ 129,950	\$ 75,883	\$ 73,744
Public safety	35,564	35,008	33,082	33,030
Public works	21,309	22,705	16,474	13,296
Leisure services	6,682	6,910	5,945	5,605
General government	6,171	6,134	4,639	4,499
All others	7,757	7,654	6,272	6,212
Totals	<u>\$ 208,037</u>	<u>\$ 208,361</u>	<u>\$ 142,295</u>	<u>\$ 136,386</u>

***Business-Type Activities***

Revenues of the Town's business-type activities (see Table 2) increased by 12.20% (\$31.0 million in 2013 compared to \$27.7 million in 2012) and expenses decreased by 23.37% (\$21.1 million in 2013 compared to \$27.6 million in 2012). The increase in revenue was predominantly the result of the Water Pollution Control Facility Plant Upgrade Project funded with grants and loans from the State of Connecticut Clean Water Fund Program. The decrease in expenditures is due primarily to the high cost of storm clean-up that occurred in 2012.

**TOWN FUNDS FINANCIAL ANALYSIS**

***Governmental Funds***

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$15.7 million, which is an increase of \$2.0 million from last year's total. Included in this year's total change in fund balance is an increase of \$1.8 million in the Town's Capital Projects Fund. The primary reason for the Capital Project Fund's increase is the issuance of General Obligation Bonds to fund the related capital projects.

The Town experienced a variety of significant General Fund budgetary events that affected the year ending equity balances. The major impacts include:

- 1) Property tax collection below anticipated budget by \$1.3 million, due to the continued sluggish economy. The Town implemented a new delinquent tax collection policy that will have a positive impact on collections in future years.
- 2) General operating expenses were kept under budget in all functional areas primarily due to vacancies in certain positions. Total expenses were under budget by \$1.8 million.

The Town's General Fund balance of \$14.6 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$13.4 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance includes \$1.1 million of outstanding encumbrances at year-end that are reported as expenditures for budgetary purposes.

Fire District fund balance decreased by \$422 thousand from \$2.4 million. The Fire District fund switched to a new third-party billing service for ambulance fees, and wrote off significant accounts receivable from the previous collection service.

## Proprietary Funds

As the Town completed the year, its proprietary funds (as presented in the statement of net position - Exhibit V) reported combined net position of \$47.9 million, which is an increase of \$7.4 million from last year's total of \$40.6 million. Included in this year's total change in net position is an increase of \$8.0 million in the Sewer Fund, due primarily to an increase in capital assets from construction of a new water pollution control plant.

In the internal service funds, the self-insurance funds experienced a combined net increase of \$3.7 million. Net position in the employee health benefits fund increased by \$2.9 million due to claims finishing below estimates. The net position in the non-health insurance fund increased by \$1.0 million. The Information Systems Fund's loss amounted to \$148 thousand.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the Town had \$257.2 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net increase (including additions and deductions) of \$22.5 million, or 9.57%, over last year, primarily due to school building projects completed during the year and the construction of the Water Pollution Control Facility Plant Upgrade Project.

**TABLE 4**  
**CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**  
**(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 14.1	\$ 13.8	\$ 1.2	\$ 1.2	\$ 15.3	\$ 15.0
Buildings and improvements	89.7	94.7	17.2	17.8	106.9	112.5
Equipment	7.6	7.7	16.6	18.9	24.2	26.6
Infrastructure	52.2	52.2			52.2	52.2
Construction in progress	18.4	13.6	40.2	14.8	58.6	28.4
Total	\$ 182.0	\$ 182.0	\$ 75.2	\$ 52.7	\$ 257.2	\$ 234.7

This year's major additions included (in millions):

Hockanum Water Pollution Facility	23.0
Public Infrastructure - \$5.5 (roads and sidewalks)	2.4
Highland Park School	1.3

The Town's fiscal-year 2013-14 capital budget plans for the continued construction on a major water pollution control facility upgrade, as well as continuation of the public infrastructure program improvements, renovation of various schools (\$4 million) and continuation of Broad Street Redevelopment (\$11 million).

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

## ***Long-Term Debt***

At June 30, 2013 the Town had \$79.4 million in bonds outstanding from governmental activities versus \$76.2 million last year – an increase of 4.2% - as shown in Table 5. The increase of 22.9 million in Business-Type activities is due to the issuance of clean water fund notes to fund the construction of the plant.

**TABLE 5**  
**OUTSTANDING DEBT, AT YEAR-END**  
**(In Millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
General obligation bonds (Backed by the Town)	\$ <u>79.4</u>	\$ <u>76.2</u>	\$ <u>22.9</u>	\$ <u>0.0</u>	\$ <u>102.2</u>	\$ <u>76.2</u>

The Town's general obligation bond rating continues to be Aa1 (Moody's) and AAA (Fitch), a rating that has been assigned by national rating agencies. The State limits the amount of general obligation debt that towns can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$892.7 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the fiscal year budget 2013-2014, General Fund appropriations total \$165.7 million. This is an increase of \$.2 million or .12% over 2012-2013. The increase in General Fund appropriations is being funded by a combination of an increase in the property tax levy as well as additional anticipated state and federal grants.

For the business-type activities, the Town has set related fees to offset the cost of operations. For the Water fund, as part of an adopted long-term rate setting plan, the Town is reducing the working capital in the Water Fund to 180 days of operating costs. Rate increases to cover the cost of operations are planned once working capital is reduced to 180 days.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate of 35.83 and business-type fees for the 2013-2014 fiscal year. The 35.83 mill rate represents an increase of 3.85 mills (12%) from the previous year. This increased mill rate will be applied against a decreased Taxable Grand List due to the completion of the required revaluation. The Town desires a stable level of service delivery and adopted a mill rate that reflects stable service delivery.

The Town also sees continued difficulty in matching annual Grand List increases with salary increases that are directly or indirectly affected by binding arbitration. Along with this salary structural difficulty is the inability to fund continued double digit or high single digit annual increases in employee health benefits. Also, new accounting requirements are now in effect that require the Town to have a plan to fund future post-employment benefits incrementally over time; this will present a significant challenge to the Town in the years to come.

The most immediate challenge faced by the Town is the budgetary instability occurring at the State level. The Town receives \$36 million of grants in and from the State or approximately 22% of the General Fund budget. As the budgetary difficulties of the State force the review of the State's commitment to municipalities, a drastically reduced level of support from the State will prove difficult to overcome without drastic tax increases or service reductions.

Overall, financial results were as planned for FY12. Over the previous years, the Town had strengthened its position by continuing to add to General Fund balance each year. The resulting relatively strong fund balance position is assisting the Town in addressing issues created by the current unfavorable economic climate. The current statewide and national economic down-turns have resulted in lower investment returns, as well as decreases in state and federal funding. In particular, the State of Connecticut's 2013/14 budget may include significant reductions in funding to municipalities, as the State attempts to manage its budget deficit. The Town's management and elected officials will have to work together to devise strategies to mitigate the impacts of the national and state economy on the Town's financial position.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Manchester, 494 Main Street, Manchester, Connecticut 06040.

## **Basic Financial Statements**

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF NET POSITION

JUNE 30, 2013

(In Thousands)

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets:			
Cash and cash equivalents	\$ 25,278	\$ 14,153	\$ 39,431
Investments	14,009	16,624	30,633
Receivables, net	18,876	5,912	24,788
Due from special services district	25		25
Due from fiduciary funds	3,435		3,435
Inventories	57	1,124	1,181
Prepaid asset	387	2	389
Deferred charges	97		97
Capital assets:			
Assets not being depreciated	32,448	41,385	73,833
Assets being depreciated, net	149,583	33,775	183,358
Total assets	<u>244,195</u>	<u>112,975</u>	<u>357,170</u>
Liabilities:			
Accounts and other payables	6,432	4,494	10,926
Accrued liabilities	1,657	265	1,922
Bond anticipation notes	1,495	17,893	19,388
Clean water fund loans		22,870	22,870
Unearned revenue	4,857	875	5,732
Noncurrent liabilities:			
Due within one year	15,861	440	16,301
Due in more than one year	105,033	18,221	123,254
Total liabilities	<u>135,335</u>	<u>65,058</u>	<u>200,393</u>
Net Position:			
Net investment in capital assets	100,236	34,397	134,633
Restricted for:			
Trust purposes:			
Expendable	1,560		1,560
Nonexpendable	750		750
Unrestricted	<u>6,314</u>	<u>13,520</u>	<u>19,834</u>
Total Net Position	\$ <u>108,860</u>	\$ <u>47,917</u>	\$ <u>156,777</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

Functions/Programs					<u>Net (Expense) Revenue And Changes In Net Position</u>		
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,171	\$ 942	\$ 525	\$ 65	\$ (4,639)	\$	\$ (4,639)
Public safety	35,564	1,594	885	3	(33,082)		(33,082)
Public works	21,309	963	354	3,518	(16,474)		(16,474)
Leisure services	6,682	665	72		(5,945)		(5,945)
Human services	4,480	169	1,308		(3,003)		(3,003)
Education	130,554	2,253	52,406	12	(75,883)		(75,883)
Interest on long-term debt	3,277		8		(3,269)		(3,269)
Total governmental activities	<u>208,037</u>	<u>6,586</u>	<u>55,558</u>	<u>3,598</u>	<u>(142,295)</u>	<u>-</u>	<u>(142,295)</u>
Business-type activities:							
Water	7,654	8,156		32		534	534
Sewer	6,074	7,389		7,270		8,585	8,585
Sanitation	7,422	7,380	680			638	638
Total business-type activities	<u>21,150</u>	<u>22,925</u>	<u>680</u>	<u>7,302</u>	<u>-</u>	<u>9,757</u>	<u>9,757</u>
Total primary governmental activities	<u>\$ 229,187</u>	<u>\$ 29,511</u>	<u>\$ 56,238</u>	<u>\$ 10,900</u>	<u>(142,295)</u>	<u>9,757</u>	<u>(132,538)</u>
General revenues:							
Property taxes					134,465		134,465
Grants and contributions not restricted to specific programs					4,064		4,064
Unrestricted investment earnings (expense)					985	(129)	856
Miscellaneous					497	251	748
Transfers					2,519	(2,519)	-
Total general revenues and transfers					<u>142,530</u>	<u>(2,397)</u>	<u>140,133</u>
Change in net position					235	7,360	7,595
Net Position at Beginning of Year					<u>108,625</u>	<u>40,557</u>	<u>149,182</u>
Net Position at End of Year					<u>\$ 108,860</u>	<u>\$ 47,917</u>	<u>\$ 156,777</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

**JUNE 30, 2013**  
**(In Thousands)**

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,666	\$ 1,328	\$ 3	\$ 3,627	\$ 6,624
Investments	1,378		291	4,981	6,650
Receivables, net	7,104	466	8,648	1,477	17,695
Due from special services district	25				25
Inventories				57	57
Interfund receivables	18,835				18,835
Other assets	37	337			374
Total Assets	\$ 29,045	\$ 2,131	\$ 8,942	\$ 10,142	\$ 50,260
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 2,278	\$ 124	\$ 2,378	\$ 573	\$ 5,353
Accrued liabilities	1,496	38		63	1,597
Intergovernmental payables	60				60
Interfund payables			15,400		15,400
Deferred revenue	10,563		18	94	10,675
Bond anticipation notes payable			1,495		1,495
Total liabilities	14,397	162	19,291	730	34,580
Fund balances:					
Nonspendable	37	337		807	1,181
Restricted				6,816	6,816
Committed	24	1,632		1,789	3,445
Assigned	2,764				2,764
Unassigned	11,823		(10,349)		1,474
Total fund balances	14,648	1,969	(10,349)	9,412	15,680
Total Liabilities and Fund Balances	\$ 29,045	\$ 2,131	\$ 8,942	\$ 10,142	\$ 50,260

(Continued on next page)



## TOWN OF MANCHESTER, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

(In Thousands)

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are  
different because of the following:

Fund balances - total governmental funds	\$ 15,680
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Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 306,087	
Less accumulated depreciation	<u>(125,009)</u>	
Net capital assets		181,078

Other long-term assets are not available to pay for current-period  
expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	4,231
Interest receivable on property taxes	1,482
Bond issuance costs	97
Receivable from the state for school construction projects	105

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.	18,274
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Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

Net OPEB obligation	(17,860)
Bonds and notes payable	(79,375)
Bond premiums	(1,493)
Interest payable on bonds and notes	(887)
Compensated absences	(13,040)
Deferred charges on refunding	<u>568</u>

Net Position of Governmental Activities (Exhibit I)	<u><u>\$ 108,860</u></u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 122,293	\$ 11,037	\$	\$	\$ 133,330
Intergovernmental	46,708	155	2,643	12,966	62,472
Investment earnings	37	3	2	168	210
Investment gains				516	516
Licenses, permits and fines	1,788				1,788
Charges for goods and services	1,549	584		2,411	4,544
Other	557	7	81	615	1,260
Total revenues	<u>172,932</u>	<u>11,786</u>	<u>2,726</u>	<u>16,676</u>	<u>204,120</u>
Expenditures:					
Current:					
General government	5,273			172	5,445
Public works	13,107			82	13,189
Public safety	17,565	12,856		2,191	32,612
Human services	2,635			1,494	4,129
Leisure services	5,558			354	5,912
Employee benefits	2,876				2,876
Education	113,067			12,356	125,423
Internal service fund charges	2,613				2,613
Other	221	484		12	717
Debt service	9,198	172	204		9,574
Capital outlay		122	12,108	151	12,381
Total expenditures	<u>172,113</u>	<u>13,634</u>	<u>12,312</u>	<u>16,812</u>	<u>214,871</u>
Excess (Deficiency) of Revenues over Expenditures	<u>819</u>	<u>(1,848)</u>	<u>(9,586)</u>	<u>(136)</u>	<u>(10,751)</u>
Other Financing Sources (Uses):					
Transfers in	2,746	1,796	1,185	211	5,938
Transfers out	(3,042)	(370)		(7)	(3,419)
Issuance of debt			9,505		9,505
Bond premium			721		721
Total other financing sources (uses)	<u>(296)</u>	<u>1,426</u>	<u>11,411</u>	<u>204</u>	<u>12,745</u>
Net Change in Fund Balances	523	(422)	1,825	68	1,994
Fund Balances at Beginning of Year	<u>14,125</u>	<u>2,391</u>	<u>(12,174)</u>	<u>9,344</u>	<u>13,686</u>
Fund Balances at End of Year	<u>\$ 14,648</u>	<u>\$ 1,969</u>	<u>\$ (10,349)</u>	<u>\$ 9,412</u>	<u>\$ 15,680</u>

(Continued on next page)

## TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$	1,994
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	9,312
Depreciation expense	(9,007)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the assets sold. (321)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 348

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

School building grant receipts	(107)
Property tax receivable - accrual basis change	874
Property tax interest and lien revenue - accrual basis change	261

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	6,335
Issuance of bonds and notes	(9,505)
Bond premium	(721)
Capital lease payments	324
Bond issuance costs	(8)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	871
Accrued interest	(49)
Amortization of deferred charge on refunding	(87)
Amortization of issuance costs	(8)
Amortization of bond premiums	121
Net OPEB expense	(4,134)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

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3,742

Change in Net Position of Governmental Activities (Exhibit II)	\$	<u>235</u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013

(In Thousands)

	Business-Type Activities						Governmental Activities Internal Service Fund
	Sanitation Fund					Total Business-Type Activities	
	Water	Sewer	Operations	Landfill Closure	Total		
Assets:							
Current assets:							
Cash and cash equivalents	\$ 2,649	\$ 751	\$ 10,753	\$	\$ 10,753	\$ 14,153	\$ 18,655
Investments	39	1		16,584	16,584	16,624	7,359
Receivables, net	2,096	3,230	493		493	5,819	1,181
Assessment receivable		93			-	93	
Inventories	869	255			-	1,124	
Prepaid expenses			2		2	2	12
Total current assets	5,653	4,330	11,248	16,584	27,832	37,815	27,207
Noncurrent assets:							
Capital assets, net	25,561	48,132	1,467		1,467	75,160	953
Total assets	31,214	52,462	12,715	16,584	29,299	112,975	28,160
Liabilities:							
Current liabilities:							
Accounts and other payables	648	3,359	487		487	4,494	192
Accrued liabilities	211	48	6		6	265	
Claims payable					-	-	4,869
Unearned revenue		93	9		9	102	
Customer deposits		280	493		493	773	
Bond anticipation notes	15,618	2,275			-	17,893	
Clean water fund notes		22,870			-	22,870	
Compensation absences	203	177	60		60	440	88
Total current liabilities	16,680	29,102	1,055	-	1,055	46,837	5,149
Noncurrent liabilities:							
Accrued liabilities				17,267	17,267	17,267	
Compensated absences	434	379	141		141	954	212
Claims payable					-	-	4,525
Total noncurrent liabilities	434	379	141	17,267	17,408	18,221	4,737
Total liabilities	17,114	29,481	1,196	17,267	18,463	65,058	9,886
Net Position:							
Net investment in capital assets	9,943	22,987	1,467		1,467	34,397	953
Unrestricted	4,157	(6)	10,052	(683)	9,369	13,520	17,321
Total Net Position	\$ 14,100	\$ 22,981	\$ 11,519	\$ (683)	\$ 10,836	\$ 47,917	\$ 18,274

The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	Business-Type Activities						Governmental Activities Internal Service Fund
	Sanitation Fund					Total Business-Type Activities	
	Water	Sewer	Operations	Landfill Closure	Total		
Operating Revenues:							
Charges for services	\$ 8,156	\$ 7,389	\$ 7,380	\$	\$ 7,380	\$ 22,925	\$ 29,901
Intergovernmental revenue			680		680	680	
Other	26	18	48		48	92	598
Total operating revenues	8,182	7,407	8,108	-	8,108	23,697	30,499
Operating Expenses:							
Administrative	591	781	643		643	2,015	
General operating	4,564	3,579	5,521		5,521	13,664	3,010
Claims expense					-	-	23,723
Depreciation	2,303	779	123		123	3,205	283
Total operating expenses	7,458	5,139	6,287	-	6,287	18,884	27,016
Operating Income	724	2,268	1,821		1,821	4,813	3,483
Nonoperating Revenue (Expense):							
Loss on disposal of capital assets		(877)			-	(877)	
Income (loss) on investments	2	1	6	(138)	(132)	(129)	259
Interest expense	(196)	(49)			-	(245)	
Capital grants	32	7,270			-	7,302	
Change in estimate for closure/ post closure costs				(1,135)	(1,135)	(1,135)	
Debt issuance costs	159	(9)			-	150	
Income (Loss) Before Transfers	721	8,604	1,827	(1,273)	554	9,879	3,742
Transfers In	30				-	30	
Transfers Out	(688)	(562)	(1,299)		(1,299)	(2,549)	
Change in Net Position	63	8,042	528	(1,273)	(745)	7,360	3,742
Net Position at Beginning of Year	14,037	14,939	10,991	590	11,581	40,557	14,532
Net Position at End of Year	\$ 14,100	\$ 22,981	\$ 11,519	\$ (683)	\$ 10,836	\$ 47,917	\$ 18,274

The accompanying notes are an integral part of the financial statements

**TOWN OF MANCHESTER, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(In Thousands)**

	Business-Type Activities						Governmental
	Sanitation Fund					Total	Activities
	Water	Sewer	Operations	Landfill Closure	Total	Business-Type Activities	Internal Service Fund
Cash Flows from Operating Activities:							
Cash received from customers and users	\$ 7,861	\$ 7,038	\$ 7,444	\$	\$ 7,444	\$ 22,343	\$ 29,479
Cash received from insurance proceeds							598
Cash received from other governments			4,471		4,471	4,471	
Other operating receipts	26	18	48		48	92	
Cash deposits returned to customers			(2)		(2)	(2)	
Cash paid to suppliers for goods and services	(3,193)	(3,787)	(5,045)		(5,045)	(12,025)	(1,860)
Cash paid for interfund services provided	(224)	(177)	(331)		(331)	(732)	
Cash paid to employees	(1,962)	(1,688)	(946)		(946)	(4,596)	(1,035)
Cash paid for insurance claims and premiums					-	-	(24,773)
Net cash provided by operating activities	2,508	1,404	5,639	-	5,639	9,551	2,409
Cash Flows from Noncapital Financing Activities:							
Transfers in	30				-	30	
Transfers out	(688)	(562)	(1,299)		(1,299)	(2,549)	
Cash received from other funds	3,385				-	3,385	5,753
Cash paid to other funds		(4,121)	4,121		4,121	-	(1,350)
Net cash provided by (used in) noncapital financing activities	2,727	(4,683)	2,822	-	2,822	866	4,403
Cash Flows from Capital and Related Financing Activities:							
Principal payment - bond anticipation notes	(17,295)	(2,445)			-	(19,740)	
Interest paid	(196)	(49)			-	(245)	
Debt issuance costs, net		(29)			-	(29)	
Purchase of capital assets and construction	(1,654)	(24,840)			-	(26,494)	(17)
Proceeds from bond anticipation notes	15,618	2,275			-	17,893	
Proceeds from clean water fund notes		22,870			-	22,870	
Premium on BAN sale	159	20			-	179	
Capital grants and contributions	32	6,227			-	6,259	
Net cash provided by (used in) capital and related financing activities	(3,336)	4,029	-	-	-	693	(17)
Cash Flows from Investing Activities:							
Interest received	2	1	6	(138)	(132)	(129)	259
Proceeds from sale of investments					-	-	8,143
Sale of investments				138	138	138	
Net cash provided by investing activities	2	1	6	-	6	9	8,402
Net Increase in Cash and Cash Equivalents	1,901	751	8,467		8,467	11,119	15,197
Cash and Cash Equivalents at Beginning of Year	748		2,286		2,286	3,034	3,458
Cash and Cash Equivalents at End of Year	\$ 2,649	\$ 751	\$ 10,753	\$ -	\$ 10,753	\$ 14,153	\$ 18,655
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:							
Operating income	\$ 724	\$ 2,268	\$ 1,821	\$	\$ 1,821	\$ 4,813	\$ 3,483
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	2,303	779	123		123	3,205	283
Change in asset and liabilities:							
(Increase) decrease in accounts receivable	(587)	(642)	3,857		3,857	2,628	(431)
Decrease in allowance for doubtful accounts	292	291			-	583	
(Increase) decrease in inventory and prepaid items	(129)	27			-	(102)	
Increase (decrease) in accounts payable	37	(1,325)	(131)		(131)	(1,419)	140
Increase (decrease) in accrued expenses	(155)	(21)	1		1	(175)	(1)
Decrease in customer deposits			(2)		(2)	(2)	
Increase (decrease) in compensated absences payable	23	27	(30)		(30)	20	(25)
Increase in claims payable					-	-	(1,040)
Net Cash Provided by Operating Activities	\$ 2,508	\$ 1,404	\$ 5,639	\$ -	\$ 5,639	\$ 9,551	\$ 2,409

The accompanying notes are an integral part of the financial statements

**TOWN OF MANCHESTER, CONNECTICUT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**JUNE 30, 2013**  
**(In Thousands)**

	<b>Pension Trust Fund</b>	<b>Retiree Health Care Trust Fund</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Assets:			
Cash and cash equivalents	\$	\$ 514	\$ 681
Investments:			
Common stock	4,370		
Taxable liquid funds	131		
Property funds	8,958		
Mutual funds	131,976	224	
Accounts receivable	<u>124</u>		
Total assets	<u>145,559</u>	<u>738</u>	<u>\$ 681</u>
Liabilities:			
Interfund payable	3,435		
Deposits held for others			\$ 681
Total liabilities	<u>3,435</u>		<u>\$ 681</u>
Net Position:			
Held in Trust for OPEB Benefits		738	
Held in Trust for Pension Benefits	<u>142,124</u>		
Total Net Position	<u>\$ 142,124</u>	<u>\$ 738</u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<b>Pension Trust Fund</b>	<b>Retiree Health Care Trust Fund</b>
Additions:		
Contributions:		
Employer	\$ 4,929	\$ 11,708
Plan members	2,261	
Total contributions	<u>7,190</u>	<u>11,708</u>
Investment income:		
Net appreciation in fair value of investments	12,037	
Interest and dividends	2,328	2
Income from real estate investments	360	
Total investment income	<u>14,725</u>	<u>2</u>
Total additions	<u>21,915</u>	<u>11,710</u>
Deductions:		
Benefits	10,877	11,490
Administration	386	83
Total deductions	<u>11,263</u>	<u>11,573</u>
Net Increase in Net Position	10,652	137
Net Position at Beginning of Year	<u>131,472</u>	<u>601</u>
Net Position at End of Year	<u>\$ 142,124</u>	<u>\$ 738</u>

The accompanying notes are an integral part of the financial statements



# **TOWN OF MANCHESTER, CONNECTICUT**

## **NOTES TO FINANCIAL STATEMENTS**

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(amounts expressed in thousands)

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Manchester, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

#### **A. Reporting Entity**

The Town operates under the provisions of its Charter and the General Statutes of the State of Connecticut. The Town was incorporated in May of 1823. Its legal authority is derived from a charter granted in 1947 that has subsequently been revised, most recently in 2008. The Town operates under a council-manager form of government. Services provided include water, sewer, refuse removal, parks and recreation, police and fire, education, planning and zoning, community development and human services.

The Town is a political subdivision of the State of Connecticut. It is governed by an elected board of nine directors. As required by accounting principles generally accepted in the United States of America, these financial statements present all activities of the Town.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Fire District fund accounts for the financial activity of the South Manchester Fire District. The major source of revenue for this fund is tax collections.

The Capital Projects Fund accounts for the major capital improvement projects, which are primarily funded by bond authorizations and capital grants along with Town contributions. The major source of revenue for this fund is governmental grants.

The Town reports the following major proprietary funds:

The Water Fund accounts for the Town-owned water supply system.

The Sewer Fund controls the financial activity of the sanitary sewer system.

The Sanitation Fund accounts for the Town-owned sanitary landfill.

Additionally, the Town reports the following fund types:

The internal service funds:

The Information Systems Fund accounts for the financial operations of the central information systems facility.

The Manchester Self-Insurance Program (MSIP) accounts for the costs associated with the Town's risk management system.

The Town of Manchester Medical Insurance Fund (TOMMIF) accounts for the Town's self-insured employee health benefit program.

The Pension Trust Fund accounts for the activities of the Public Employees' Retirement System, which accumulates resources for pension benefit payments to qualified Town employees.

The Retiree Health Care Trust Fund accounts for the activities of the Other Postemployment Benefits (OPEB) Trust, as required by GASB Statement 45, to irrevocably segregate assets to fund the liability associated with postemployment benefits.

Agency Funds - The Town maintains five agency funds for senior center activities, student activities, maintenance bonds, redevelopment agency and plan deposits.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds, and of the Town's internal service funds, are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

#### **D. Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

#### **E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles. An amount of \$997 has been established as an allowance for uncollectible taxes. At June 30, 2013, this represents 17.32% of all property taxes receivable.

Property taxes become an enforceable lien and are assessed on property as of October 1; however, the legal right to attach property does not exist until July 1. Property assessments are made at 70% of the market value. Real estate taxes are billed on July 1 and, if over \$400 (amount not rounded), are payable in semiannual installments on July 1 and January 1. Personal property taxes are billed on July 1 and, if over \$400 (amount not rounded), payable in two equal installments on July 1 and January 1. Motor vehicle taxes are billed and due July 1 and motor vehicle supplement taxes are billed and due January 1. Certificates of continuing lien are filed against the real estate represented by delinquent real estate taxes within the year in which the tax is due. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month. Delinquent taxes receivable at June 30 in the funds statements are recorded as deferred revenue to the extent that they have not been collected within 60 days, since they are not considered to be available to liquidate liabilities of the current year.

## **F. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## **G. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets acquired after July 1, 2001 (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Buildings improvements	20
Improvements other than building	20
Vehicles	6-15
Office equipment	10-15
Computer equipment	7
Infrastructure	12-70

## **H. Compensated Absences**

Employees earn annual leave or vacation time according to the terms of the union contract that applies to them. Such amounts are liquidated within the functional cost area in which the employee's payroll is paid. Annual leave must be used prior to the end of the year in which it is earned, unless the General Manager authorizes an extension. Vacation leave earned in any year must be used prior to the end of the year following the year that it is earned, unless the General Manager authorizes an extension. Upon termination or retirement, an employee may be reimbursed for accumulated but unused annual leave or vacation time depending on the union contract and date of hire.

Town and Board of Education employees are paid by a prescribed formula set forth in their collective bargaining agreements for sick leave. Unused sick leave accumulates and employees vest in their unused days when they reach qualifications for retirement. If an employee retires, unused accumulated sick leave is paid to them based on the specifications in their respective collective bargaining agreements.

Annual leave, vacation and sick pay are accrued when incurred in proprietary funds and reported as a fund liability. Annual leave, vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the governmental fund that will pay it. Amounts not expected to be paid with expendable available financial resources are not reported in governmental funds. No expenditure is reported for these amounts.

Liabilities for compensated absences, including the current portion, are reported in the government-wide statement of net position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## **I. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **J. Fund Equity**

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Net position is restricted because of externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Board of Directors). The Board of Directors can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (The adoption of another resolution) to remove or revise the limitation.

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by the Board of Directors.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

The Town adopts an annual operating budget for the following funds:

#### General Fund

#### Special Revenue Funds

Special Taxing District - Fire

#### Enterprise Funds

Water Fund

Sewer Fund

Sanitation Fund

#### Internal Service Funds

Information Systems Fund

The Town’s procedures in establishing budgetary data included in the financial statements are as follows:

- (1) No later than March 13, the General Manager prepares and submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The legal level of control for the budget is represented by the following categories: general government, public works, public safety, human services, leisure services, employee benefits, education, debt service, other and interfund transfers (including payments to internal service funds).

- (2) No later than March 23, a public hearing is conducted by the Board of Directors to obtain taxpayer comments.
- (3) No later than April 16, the budget must be adopted by the Board of Directors. If the Board fails to adopt the budget, the tentative budget submitted by the General Manager is deemed to be adopted.
- (4) The Charter provides for a budget referendum by petition. If a petition to reject the budget is signed by at least 7% of registered voters, and filed with and certified by the Town Clerk within ten days of budget adoption, a budget referendum is to be held. If the budget adopted by the Board of Directors is rejected at the referendum, the Board of Directors must adopt a revised budget. Only one budget referendum may be held per year and the revised budget adopted by the Board of Directors takes effect on July 1.
- (5) The General Manager is authorized to transfer budgeted amounts within appropriations for each category noted above; however, any transfer between appropriations for these categories or additional appropriations must be approved by the Board of Directors. Additional appropriations of \$247 were approved during the year for the General Fund with an increase in estimated revenues of \$97. Formal budgetary integration is employed as a management control device during the year.
- (7) Except for encumbrance accounting, all budgets are prepared on the modified accrual basis.
- (8) Generally, the unexpended and unencumbered portion of appropriations lapse at year end, except those of the capital projects funds. Appropriations for the foregoing are continued until completion of the project, even when projects extend beyond one fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are included in either restricted, committed or assigned fund balance depending on the level of restriction and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

## **B. Deficit Fund Equity and Accumulated Deficits**

The following is a summary of the fund had an accumulated deficit at June 30, 2013.

<u>Fund</u>	<u>Amount</u>
Governmental Fund:	
Capital Projects Fund	\$ 9,886
Enterprise Fund:	
Landfill Closure	683

The accumulated deficit will be eliminated in future years as follows:

The Capital Projects fund balance deficit will be funded with permanent financing of ongoing projects, and the Landfill Closure fund balance deficit will be funded by future investment earnings from the assets of the fund.

## **3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

### Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$13,428 of the Town's bank balance of \$16,092 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	11,985
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name		<u>1,443</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>13,428</u></u>

### Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2013, the Town's cash equivalents amounted to \$27,302. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard &amp; Poor's</u>	<u>Not Rated</u>
State Short-Term Investment Fund (STIF)	AAAm	
Secured Municipal Account (SMA)		X



## B. Investments

Investments as of June 30, 2013 in all funds are as follows:

Investment Type	Credit Rating	Fair Value	Investment Maturity (Years)		
			Less Than 1	1 - 10	Greater Than 10
Interest-bearing investments:					
U.S. treasury notes	AAA / AA-	\$ 5,141	\$	\$ 5,141	\$
U.S. treasury notes	N/A	1,275		1,275	
Federal agency bonds	AA+	7,374		7,374	
Federal agency bonds	N/A	1,002	1,002		
Fixed income	N/A	3,000	51	2,691	258
Certificates of deposit	N/A	488		488	
Subtotal			\$ 1,053	\$ 16,969	\$ 258
Other investments:					
Common stock	N/A	6,031			
Taxable liquid funds	N/A	778			
Cutwater - Cooperative Liquid Asset Securities System (CLASS)	AAA	2,421			
UBS property funds	N/A	8,958			
Wells Fargo Advantage Heritage Money Market	N/A	4,084			
Mutual funds	N/A	135,740			
Total		\$ 176,292			

N/A - Not Applicable

*Interest Rate Risk* - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Town does not have an investment policy that limits an investment in any one issuer in excess of five percent of the Town's total investments.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2013, the Town's investments, other than open-end mutual funds and other pooled accounts that are not categorized as to custodial credit risk, were uninsured and unregistered securities held by the counterparty, or by its trust department or agent, and were not in the Town's name.

#### 4. RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Taxes	\$ 5,758	\$	\$	\$	\$	\$	\$	\$ 5,758
Interest	1,482							1,482
Accounts	96	515	60	2,286	2,384	568	1,435	7,344
Intergovernmental	765		8,588		1,043		1,183	11,579
Special assessments					93			93
Loans							40	40
Pension contribution							124	124
Gross receivables	<u>8,101</u>	<u>515</u>	<u>8,648</u>	<u>2,286</u>	<u>3,520</u>	<u>568</u>	<u>2,782</u>	<u>26,420</u>
Less allowance for uncollectibles	<u>(997)</u>	<u>(49)</u>	<u></u>	<u>(190)</u>	<u>(197)</u>	<u>(75)</u>	<u></u>	<u>(1,508)</u>
Net Total Receivables	<u>\$ 7,104</u>	<u>\$ 466</u>	<u>\$ 8,648</u>	<u>\$ 2,096</u>	<u>\$ 3,323</u>	<u>\$ 493</u>	<u>\$ 2,782</u>	<u>\$ 24,912</u>

Revenues of the water, sewer and sanitation funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to:

Water	\$ 190
Sewer	197
Sanitation	<u>75</u>

Total Uncollectibles of the Current Fiscal Year \$ 462

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes and interest receivable	\$ 5,713	\$
Advance and unapplied taxes		4,711
Grant drawdowns		65
Loans receivable		33
Unearned fees		48
School building grant	<u>105</u>	<u></u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 5,818</u>	<u>\$ 4,857</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,800	\$ 272	\$	\$ 14,072
Construction in progress	13,610	4,766		18,376
Total capital assets not being depreciated	<u>27,410</u>	<u>5,038</u>	<u>-</u>	<u>32,448</u>
Capital assets being depreciated:				
Buildings and improvements	148,998	282		149,280
Improvements other than buildings	6,398	41		6,439
Machinery and equipment	25,085	1,679	(886)	25,878
Infrastructure	93,825	2,637	(697)	95,765
Total capital assets being depreciated	<u>274,306</u>	<u>4,639</u>	<u>(1,583)</u>	<u>277,362</u>
Less accumulated depreciation for:				
Buildings and improvements	(57,839)	(5,063)		(62,902)
Improvements other than buildings	(2,921)	(205)		(3,126)
Machinery and equipment	(17,376)	(1,708)	868	(18,216)
Infrastructure	(41,615)	(2,314)	394	(43,535)
Total accumulated depreciation	<u>(119,751)</u>	<u>(9,290)</u>	<u>1,262</u>	<u>(127,779)</u>
Total capital assets being depreciated, net	<u>154,555</u>	<u>(4,651)</u>	<u>(321)</u>	<u>149,583</u>
Governmental Activities Capital Assets, Net	<u>\$ 181,965</u>	<u>\$ 387</u>	<u>\$ (321)</u>	<u>\$ 182,031</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,171	\$	\$	\$ 1,171
Construction in progress	14,825	25,677	(288)	40,214
Total capital assets not being depreciated	<u>15,996</u>	<u>25,677</u>	<u>(288)</u>	<u>41,385</u>
Capital assets being depreciated:				
Buildings and improvements	43,631	802	(602)	43,831
Improvements other than buildings	8,211	13	(484)	7,740
Machinery and equipment	63,142	291	(3,974)	59,459
Total capital assets being depreciated	<u>114,984</u>	<u>1,106</u>	<u>(5,060)</u>	<u>111,030</u>
Less accumulated depreciation for:				
Buildings and improvements	(27,446)	(1,257)	602	(28,101)
Improvements other than buildings	(6,530)	(159)	484	(6,205)
Machinery and equipment	(44,257)	(1,789)	3,097	(42,949)
Total accumulated depreciation	<u>(78,233)</u>	<u>(3,205)</u>	<u>4,183</u>	<u>(77,255)</u>
Total capital assets being depreciated, net	<u>36,751</u>	<u>(2,099)</u>	<u>(877)</u>	<u>33,775</u>
Business-Type Activities Capital Assets, Net	<u>\$ 52,747</u>	<u>\$ 23,578</u>	<u>\$ (1,165)</u>	<u>\$ 75,160</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 432
Public works	2,951
Public safety	695
Human services	90
Recreation	164
Library	25
Education	<u>4,933</u>
Total Depreciation Expense - Governmental Activities	\$ <u>9,290</u>
Business-type activities:	
Water	\$ 2,303
Sewer	779
Sanitation	<u>123</u>
Total Depreciation Expense - Business-type Activities	\$ <u>3,205</u>

### Construction Commitments

The Town has active construction projects as of June 30, 2013. The projects include renovations to School Facilities, and various public works and bond referendum projects.

The following is a summary of significant capital projects at June 30, 2013:

<u>Project</u>	<u>Authorized Amount</u>	<u>Expended and Encumbered</u>	<u>Unencumbered Balance</u>
School Repairs / Renovations 2001/02	\$ 7,619	\$ 7,356	\$ 263
2003 Public Works Projects	5,427	5,288	139
Head Start Facility	7,502	7,216	286
Real Property Acquisition	3,267	2,546	721
Bennet, Illing, Bowers, Waddell School Projects	45,366	43,385	1,981
2005 Public Works Projects	5,455	5,345	110
2007 School Building and Grounds	2,548	2,376	172
Highland Park School Renovations	13,100	13,047	53
2007 Public Works Projects	6,099	5,918	181
Broad Street Redevelopment	11,000	6,858	4,142
2009 Bond Referendum Projects	8,000	7,829	171
2011 Public Works Projects	12,000	4,904	7,096
2012 School Bond	<u>4,900</u>	<u>246</u>	<u>4,654</u>
Total	\$ <u>132,283</u>	\$ <u>112,314</u>	\$ <u>19,969</u>

The following capital projects are being financed by a combination of state and federal grants and general obligation bonds: School Repairs/Renovations 2001/02, 2003 Public Works Projects, Real Property Acquisitions, Bennet, Illing, Bowers, Waddell School Projects, 2005 Public Works Projects, 2007 School Building and Grounds, Highland Park School Renovations 2007 Public Works Projects, 2011 Public Works Projects and 2012 School Bond. Capital projects financed by general obligation bonds are as follows: 2000 Public Works Projects, 2009 Bond Referendum Projects and Broad Street Redevelopment. The Head Start Facility is being funded from a state grant and CHEFA bond proceeds.

## 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ 15,400
General Fund	Pension Trust Fund	<u>3,435</u>
		<u>\$ 18,835</u>

Interfund receivables and payables generally represent temporary balances arising from reimbursement-type transactions.

Interfund transfers:

	<u>Transfers In</u>					<u>Total Transfers Out</u>
	<u>General</u>	<u>Fire District</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water</u>	
Transfers:						
General Fund	\$	\$ 1,796	\$ 1,035	\$ 211	\$	\$ 3,042
Fire District	220		150			370
Nonmajor						
Governmental	7					7
Water	688					688
Sewer	532				30	562
Sanitation	<u>1,299</u>					<u>1,299</u>
Total Transfers In	<u>\$ 2,746</u>	<u>\$ 1,796</u>	<u>\$ 1,185</u>	<u>\$ 211</u>	<u>\$ 30</u>	<u>\$ 5,968</u>

The above transfers represent normal budgetary and other recurring transfers.

## 7. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 76,205	\$ 9,505	\$ (6,335)	\$ 79,375	\$ 6,740
Less deferred amounts					
For issuance premiums	893	721	(121)	1,493	
On refunding	(655)		87	(568)	
Total bonds payable	<u>76,443</u>	<u>10,226</u>	<u>(6,369)</u>	<u>80,300</u>	<u>6,740</u>
Other liabilities:					
Capital leases	324		(324)	-	
Claims and judgments	10,434	28,666	(29,706)	9,394	4,869
Compensated absences	14,236	26	(922)	13,340	4,252
Net OPEB obligation	<u>13,726</u>	<u>4,134</u>		<u>17,860</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 115,163</u>	<u>\$ 43,052</u>	<u>\$ (37,321)</u>	<u>\$ 120,894</u>	<u>\$ 15,861</u>
Business-type activities:					
Landfill	\$ 16,166	\$ 1,101	\$	\$ 17,267	\$
Compensated absences	<u>1,374</u>	<u>51</u>	<u>(31)</u>	<u>1,394</u>	<u>440</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 17,540</u>	<u>\$ 1,152</u>	<u>\$ (31)</u>	<u>\$ 18,661</u>	<u>\$ 440</u>

### Bonds Payable

The annual requirements to amortize bonds payable as of June 30, 2013 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Amount to be Provided by State of Connecticut</u>	
			<u>Principal</u>	<u>Interest</u>
2014	\$ 6,740	\$ 2,964	\$ 105	\$ 3
2015	6,515	2,743		
2016	6,270	2,509		
2017	6,230	2,269		
2018	5,665	2,037		
2019-2023	25,615	6,997		
2024-2028	19,885	2,349		
2029-2032	<u>2,455</u>	<u>132</u>		
Total	<u>\$ 79,375</u>	<u>\$ 22,000</u>	<u>\$ 105</u>	<u>\$ 3</u>

Governmental fund bonds bear interest at rates ranging from 2.0% to 5.5% and mature in fiscal years ending 2014 through 2032. These obligations are direct obligations and pledge the full faith and credit of the government and will be paid from General Fund revenues. During the year, general obligation bonds totaling \$9,505,000 were issued.

The following is a schedule of bond anticipation note activity for the year ended June 30, 2013:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		
		<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Balance, July 1, 2012	\$ 1,995	\$ 17,295	\$ 2,445	\$ 19,740
Issued	1,495	15,618	2,275	17,893
Retired	(1,995)	(17,295)	(2,445)	(19,740)
Balance, June 30, 2013	<u>\$ 1,495</u>	<u>\$ 15,618</u>	<u>\$ 2,275</u>	<u>\$ 17,893</u>

The above notes with interest rates of 1-1.25% matured on July 5, 2013. The governmental activities short-term financing was issued for the initial funding for design and property acquisition. The business-type activities short-term financing was issued for various water system and quality improvements.

#### Clean Water Fund Loans

The following is a schedule of clean water fund loan activity for the year ended June 30, 2013:

	<b>Business Type Activities Sewer</b>
Balance, July 1, 2012	\$ -
Issued	22,870
Retired	-
Balance, June 30, 2013	<u>\$ 22,870</u>

The Town has entered into a Project Loan and Project Grant Agreement with the State of Connecticut Department of Energy and Environmental Protection under the Clean Water Fund Program. As of June 30, 2013, the Town has obtained interim funding obligations of \$22,870, as described in the table above under the Clean Water Fund Program. Subsequent to the completion of the project, the IFO will be converted to a Project Loan Obligation at 2% interest in an amount not less than the project loans advances paid through the project.

The Town's total net indebtedness does not exceed the total legal debt limit, which is \$892,745. At June 30, 2013, authorized and unissued debt amounted to \$29,448, including several public works projects, school renovations, and the Broad Street redevelopment.

## 8. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2013 are as follows:

	<b>Major Special Revenue Funds</b>			<b>Nonmajor Governmental Funds</b>	<b>Total</b>
	<b><u>General</u></b>	<b><u>Fire District</u></b>	<b><u>Capital Projects</u></b>		
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 57	\$ 57
Prepaid expenditures	37	337			374
Permanent funds				750	750
Restricted for:					
Unspent grant balances				1,706	1,706
Recreation activities				23	23
Libraries				4,124	4,124
Cemeteries				823	823
Education programs				140	140
Committed to:					
Fire district operations		1,632			1,632
Public safety	24				24
Police special services				490	490
Recreation activities				219	219
School food service				993	993
Use of schools				26	26
Emergency employment				34	34
Police department health and welfare				27	27
Assigned to:					
Purchases on order	1,264				1,264
Plan of conservation and development	75				75
Underground storage tank	150				150
Fire house purchase	700				700
Police leave payout	500				500
Accrued leave payout	75				75
Unassigned	<u>11,823</u>		<u>(10,349)</u>		<u>1,474</u>
Total Fund Balances	\$ <u>14,648</u>	\$ <u>1,969</u>	\$ <u>(10,349)</u>	\$ <u>9,412</u>	\$ <u>15,680</u>

Significant encumbrances of \$1,264 and \$229 at June 30, 2013 are contained in the above table in the assigned category of the General Fund, and the restricted and committed categories of the Nonmajor Governmental Funds, respectively.



## 9. RISK MANAGEMENT

On July 1, 1983, the Town established the Manchester Self-Insurance Program (MSIP) and the Town of Manchester Medical Insurance Fund (TOMMIF) to account for and finance its uninsured risk of loss. TOMMIF provides the payment of administrative costs and claims. MSIP provides for the purchase of insurance and services, and the payment of costs and claims associated with workers' compensation, automobile liability and general liability. These funds are accounted for as Internal Service Funds.

TOMMIF - Effective July 1, 2007, the Town's self-insurance medical insurance plan is administered by CIGNA Healthcare. The fund is obligated to pay medical claims for participants. An aggregate stop loss provision is included in the administrative agreement, which limits the Town's liability to 120% of claims payments projected by CIGNA Healthcare. The Town has not exceeded the stop loss provision in any of the past three fiscal years.

MSIP - The Town's self-insured program is administered by a third party administrator and has a self-insured retention (SIR) of \$500 per occurrence for general liability, auto liability and workers' compensation. The Town purchases excess insurance from commercial carriers to provide coverage in excess of the SIR, and for other risks of loss that are not self-insured risks. The Town has not exceeded the SIR for self-insured risks nor have they exceeded commercial coverage for insured risks in any of the past three fiscal years. All funds of the Town participate in the program and make payments to the Risk Management Fund based on estimates of the amount needed to pay prior and current year claims.

There were no significant reductions in insurance coverage from coverage in the prior year for medical insurance, workers' compensation or liability insurance.

Changes in the balances of claims liabilities during the fiscal years ended June 30, 2013 and 2012, for the TOMMIF and MSIP funds are as follows:

	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<b>TOMMIF</b>	<b>TOMMIF</b>	<b>MSIP</b>	<b>MSIP</b>
Unpaid claims, July 1	\$ 1,708	\$ 2,589	\$ 8,971	\$ 7,845
Incurred claims (including IBNR)	27,225	27,519	858	1,147
Claim payments	<u>(26,344)</u>	<u>(28,391)</u>	<u>(1,984)</u>	<u>(1,315)</u>
Unpaid Claims, June 30	\$ <u>2,589</u>	\$ <u>1,717</u>	\$ <u>7,845</u>	\$ <u>7,677</u>

The claim reserves reported in both the TOMMIF and MSIP funds are based on the requirements of Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

## 10. CONTINGENT LIABILITIES

The Town is a party to various legal proceedings that involve claims against the Town. In those cases where a loss is probable and measurable, a liability has been recorded in the self-insurance fund. It is the opinion of Town management and the Town attorney that the ultimate resolution of remaining litigation will not have a material effect on the financial position of the Town.

## Town of Vernon

The Town has contracted with the Town of Vernon Waste Water Pollution Control Authority to provide for the processing of waste water from certain Manchester sites proximate to the newly constructed Vernon Waste Water Treatment Plant. The two Towns have estimated that these Manchester sites will use approximately 1.25% of the plant capacity. The Towns have further agreed that the Town of Manchester will provide, on a contracted basis, 1.25% of the Clean Water Fund loan payments due from the Vernon Water Pollution Control Authority to cover the capital costs incurred by the Authority. The Town of Manchester sites sending waste water to the Vernon Plant will be billed directly by the Water Pollution Control Authority for operation and maintenance costs. These contractual payments are appropriated annually and appear in the annual operating budget of the Sewer Fund. The amount paid during fiscal year 2013 was \$19, and the total amount outstanding at June 30, 2013 was \$70.

### **11. JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with six other municipalities, established the Capital Region East Operating Committee (CREOC) to administer a regional household hazardous waste collection and disposal program. CREOC is comprised of one representative from each participating community with a population of less than 30,000 and two representatives from each participating community with a population of 30,000 or more. The participating communities have agreed that the Regional Household Hazardous Waste collection facility will be established on premises located in and owned by the Town of Manchester. The Town has also been hired by CREOC as Project Administrator/Coordinator to perform administrative services and coordinate the day-to-day operations of the collection program. Except for an obligation to appropriate funds and pay its assessments in amounts necessary to fulfill its obligations pursuant to the agreement establishing CREOC, no participating community has any obligation, entitlement or residual interest. The Town paid an assessment of \$47 to CREOC during the year ended June 30, 2013.

### **12. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The Town owns and operates a landfill site located off Olcott Street. State and federal law will require the Town to close the landfill once its capacity is reached and to monitor and maintain the site for 30 years subsequent to closure. Under the provisions of Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the Town recognizes a portion of the closure and postclosure care costs in each operating period even though actual payments will not occur until the landfill is closed. The amount recognized each year to date is based on the landfill capacity used as of the balance sheet date. As of June 30, 2013, the Town had recorded a liability of \$17,267 in the Sanitation Enterprise Fund that represents the amount of costs reported to date based on the 76 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$5,453 that will be recognized as the remaining capacity is used (estimated to be 19 years). The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws and other variables.

### **13. OTHER POSTEMPLOYMENT BENEFITS**

#### **A. Summary of Significant Accounting Policies**

Basis of Accounting - The financial statements of the Post-Retirement Medical Program (RMP) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the Town. Investments are reported at fair value. Investment income is recognized as earned.

## B. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses. The RMP covers Town, Board of Education, Police and Fire employees. Retired program members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving those benefits under the Town's self-insured medical benefits program. The percentage contribution of the employees and retirees for these benefits vary and are detailed within the Town's various bargaining agreements. The Town does not issue a separate stand-alone financial statement for this plan.

At July 1, 2012, plan membership consisted of the following:

	<b>Post- Retirement Medical Program</b>
Retired members	960
Spouses of retired members	514
Deferred members	1
Active plan members	<u>1,358</u>
Total Participants	<u><u>2,833</u></u>

## C. Funding Policy

The Town funding and payment of postemployment benefits were accounted for in both the General Fund and in an Internal Service Fund on a pay-as-you-go basis through June 30, 2009. On June 15, 2009, the Town established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. As of June 30, 2009, an initial deposit of \$100,000 was made into the trust. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. The Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

The Town's funding strategy for postemployment obligations are based upon characteristics of benefits on 17 distinct groups of employees established within their respective collective bargaining units and include the following:

- Eligibility for benefits range from 15 to 25 years of service at time of retirement determined by collective bargaining unit and date of hire.
- Medical benefits funded by the Town range from 100% cost of coverage for the retiree and dependents up until the employee's death, 100% coverage for retiree only or 50% coverage for retirees depending on date of hire and collective bargaining unit. Some employees, depending upon date of hire, contribute equal to that set forth for active employees within their bargaining unit.
- Life insurance ranging from \$4,000 to \$6,000 (not rounded).

#### D. Annual OPEB Cost and Net OPEB Obligations

The Town of Manchester's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

	<b>Post-Retirement Medical Program (in thousands)</b>
Annual required contribution (ARC)	\$ 15,593
Interest on net OPEB obligation	1,064
Adjustment to annual required contribution	<u>(812)</u>
Annual OPEB cost	15,845
Contributions made	<u>11,711</u>
Increase in net OPEB obligation	4,134
Net OPEB obligation, beginning of year	<u>13,726</u>
Net OPEB Obligation, End of Year	<u><u>\$ 17,860</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2013, 2012 and 2011 is presented below.

<b>Fiscal Year Ended</b>		<b>Annual OPEB Cost (AOC)</b>		<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>		<b>Net OPEB Obligation</b>
6/30/13	\$	15,845	\$	11,711	73.91%	\$	17,860
6/30/12		14,763		10,172	68.90%		13,726
6/30/11		13,256		11,311	85.33%		9,135

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

#### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/08	\$ -	\$ 145,240	\$ (145,240)	0%	\$ 38,501	(377.2%)
7/1/10	560	170,806	(170,246)	0.3%	38,148	(446.3%)
7/1/12	1,388	178,350	(176,962)	0.8%	36,149	(489.5%)

## Schedule of Employer Contribution

<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
6/30/11	\$ 13,104	86.3%
6/30/12	14,583	69.8%
6/30/13	15,593	75.1%

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return which reflects that the Town has established an OPEB trust and is prefunding its OPEB benefits. The annual healthcare cost trend rate varies by age and between Board of Education and Town and ranges from 4.6% to 7.3%. The general inflation assumption is 3.0%. Projected salary increases were 4.0%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2013 was 25 years.

## 14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

### A. Plan Description

The Town of Manchester is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its employees. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The PERS was established by Town Ordinance, Section 11 Article III of the Town of Manchester Code of Ordinances, which can be amended by legislative action. Article III establishes PERS benefits, member contribution rates and other plan provisions. The PERS does not issue a stand-alone report.

The Town of Manchester Retirement System covers substantially all Town employees except for certified teachers of the Board of Education and the regular members of the Fire Department. Participants are fully vested after five years of service. Employees who retire at normal retirement age receive a benefit equal to 2% (2.5% for Police) of their highest average three years' wages times the number of years of service. Normal retirement age for police officers is the age at which the employee reaches 25 years of service. For all other employees, normal retirement age is 65 for employees hired after July 1, 1995, and either 62 or "Rule of 80" for those employees hired before July 1, 1995. The "Rule of 80" defines normal retirement as the date when years of service and age equal 80. Early retirement benefits are provided at reduced amounts.

The membership of the plan consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

Retirees, disabled employees and beneficiaries currently receiving benefits	592
Terminated Plan members entitled to benefits but not yet receiving them	139
Current employees:	
Vested	542
Nonvested	206
	<hr/>
Total	<u>1,479</u>

#### **B. Summary of Significant Accounting Policies and Plan Asset Matters**

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due; investment income is recognized when earned. Expenses (benefits, administration and refunds of contributions) are recognized when incurred.

Investments are reported at fair value.

#### **C. Funding Policy**

Participants are required to contribute as follows: 8.5% for police employees, 6.4% for public works employees and 5.9% for all other “Rule of 80” employees of their earnings to the PERS. The Town is required to contribute 9.2% (13.9% for police employees) of wages to the PERS. Benefits and employee contributions are fixed by contract and may be amended by union negotiations. Administrative costs of the PERS are financed through investment earnings.

#### **D. Annual Pension Cost and Net Pension Obligation**

The Town’s annual pension cost and accrued required contribution to the PERS for the current year amounted to \$4,929. The Town contributed \$4,929 this year.

The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.5% per year and (c) inflation rate of 3.0%. The assumptions did not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using the level percent of pay method over a 30-year closed period.

#### **E. Trend Information**

<u>Fiscal Year Ended</u>		<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$	4,929	\$ 4,929	100%	\$ -
6/30/12		5,038	5,038	100	-
6/30/11		4,477	4,477	100	-

## F. Pension Plan Required Supplementary Information

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability UAAL	Funded Ratio (a/b)	Covered Payroll (c)	UAAL % of Covered Payroll ((b-a)/c)
7/01/12	\$ 141,907	\$ 183,751	\$ 41,844	\$ 77%	\$ 36,076	116%
7/01/11	137,185	167,728	30,542	82%	36,222	84%
7/01/10	131,598	164,350	32,752	80%	35,132	107%
7/01/09	129,259	158,939	29,680	81%	30,623	97%
7/01/08	131,666	150,704	19,037	87%	29,322	65%
7/01/07	125,707	143,554	17,847	88%	40,042	45%

### Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/13	\$ 4,929	100%
6/30/12	5,038	100%
6/30/11	4,477	100%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Valuations are performed annually. Additional information as of the latest actuarial valuation is presented in D above.

## G. Defined Contribution Plan

The Town of Manchester established a defined contribution plan effective July 1, 2000 to provide benefits at retirement to certain unaffiliated employees of the Town and Board of Education, and members of the residual and supervisory unions of the Town. Employees eligible to participate in the defined contribution plan who had an accrued benefit under the defined benefit plan were given the ability to elect to convert the funds to which they were entitled to the defined contribution plan. For these employees, the value of the accrued benefit was converted to a lump sum and transferred to the member's account balance under the defined contribution plan. Employees are required to contribute 6% of covered salary, which are matched by employer contributions of 6% of covered salary. Employees are fully vested in employee contributions and are fully vested after five years in employer contributions.

The value of the plan at June 30, 2013 is \$15,364. There were 152 participants as of June 30, 2013. During the fiscal year ended June 30, 2013, employees contributed \$588 (exclusive of lump-sum conversion amounts) and the Town contributed a matching employer contribution of \$588. Covered payroll totaled \$9,807. Plan provisions and contribution requirements are established by an ordinance approved by the Town's Board of Directors and may be amended by the Board subject to various bargaining unit approvals.

## **H. Municipal Employees' Retirement Fund**

Manchester firefighters participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

Funding Policy: Plan members are required by State Statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate which was 15.50% of earnings for the year ended June 30, 2013. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2013, 2012 and 2011 were \$1,141, \$1,119 and \$929, respectively, equal to the required contributions for each year.

## **I. Teachers' Retirement System**

All Town certified teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$44,853 or 71.99% of the total Board of Education payroll of \$62,308.

The retirement system for teachers is funded by the State based upon the recommendation of the State Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2013, the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$9,490 as payments made by the State of Connecticut on behalf of the Town.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

## **15. SUBSEQUENT EVENTS**

On July 5, 2013, the Town issued \$15,886 and \$1,495 of Bond Anticipation Notes with interest rates of 1.50% and 1.00%, respectively, and maturity dates of July 3, 2014, and \$6,500 of General Obligation Bonds with a variable interest rate between 3.00% and 5.00% and a final maturity of August 1, 2032.



## **Required Supplementary Information**

## TOWN OF MANCHESTER, CONNECTICUT

## GENERAL FUND AND FIRE DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	General Fund				Fire District Fund			
	Original Budget	Revised Budget	Actual	Variance Over (Under)	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues:								
Property taxes, interest and lien fees	\$ 123,613	\$ 123,613	\$ 122,293	\$ (1,320)	\$ 10,993	\$ 10,993	\$ 11,037	\$ 44
Intergovernmental revenue	36,072	36,077	35,799	(278)	172	172	155	(17)
Investment and interest income	172	172	37	(135)	10	10	3	(7)
Licenses, permits and fines	1,891	1,891	1,788	(103)				-
Charges for goods and services	1,626	1,718	1,549	(169)	525	525	584	59
Other	436	436	748	312		18	7	(11)
Total revenues	<u>163,810</u>	<u>163,907</u>	<u>162,214</u>	<u>(1,693)</u>	<u>11,700</u>	<u>11,718</u>	<u>11,786</u>	<u>68</u>
Expenditures:								
Current:								
General government	5,553	5,543	5,274	269				-
Public works	13,520	13,478	13,004	474				-
Public safety	17,891	17,896	17,589	307	12,743	12,759	12,825	(66)
Human services	2,911	2,891	2,635	256				-
Leisure services	5,779	5,759	5,559	200				-
Employee benefits	2,957	2,957	2,876	81				-
Other	277	362	221	141				-
Education	101,906	101,995	101,981	14				-
Internal service fund charges	2,614	2,614	2,613	1	484	484	484	-
Debt service	9,204	9,214	9,198	16	172	172	172	-
Capital outlay			-	-	202	204	122	82
Total expenditures	<u>162,612</u>	<u>162,709</u>	<u>160,950</u>	<u>1,759</u>	<u>13,601</u>	<u>13,619</u>	<u>13,603</u>	<u>16</u>
Excess (deficiency) of revenues over expenditures	<u>1,198</u>	<u>1,198</u>	<u>1,264</u>	<u>66</u>	<u>(1,901)</u>	<u>(1,901)</u>	<u>(1,817)</u>	<u>84</u>
Other financing sources (uses):								
Transfers in	1,681	1,681	2,746	1,065	1,796	1,796	1,796	-
Transfers out	(2,879)	(3,029)	(3,042)	(13)	(220)	(370)	(370)	-
Total other financing sources (uses)	<u>(1,198)</u>	<u>(1,348)</u>	<u>(296)</u>	<u>1,052</u>	<u>1,576</u>	<u>1,426</u>	<u>1,426</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (150)</u>	<u>968</u>	<u>\$ 1,118</u>	<u>\$ (325)</u>	<u>\$ (475)</u>	<u>(391)</u>	<u>\$ 84</u>
Fund Balances, Beginning of Year			<u>12,411</u>				<u>2,360</u>	
Fund Balances, End of Year			<u>\$ 13,379</u>				<u>\$ 1,969</u>	

**TOWN OF MANCHESTER, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

**BUDGET-TO-GAAP RECONCILIATION**

The following is an explanation of differences between budgetary revenues and expenditures (RSI-1) and GAAP revenues and expenditures (Exhibit IV):

	<b><u>General Fund</u></b>	<b><u>Fire District</u></b>
<b><u>R E V E N U E S</u></b>		
Non-GAAP budgetary basis - RSI-1	\$ 162,214	\$ 11,786
State of Connecticut on-behalf contributions to the Connecticut Teachers' Retirement System for Town teachers are not budgeted	9,490	
Excess cost grant revenue is budgeted as a credit to education expenditures	1,419	
Prior year encumbrances cancelled	<u>(191)</u>	<u></u>
GAAP basis - Exhibit IV	<u>\$ 172,932</u>	<u>\$ 11,786</u>
<b><u>E X P E N D I T U R E S</u></b>		
Non-GAAP budgetary basis - RSI-1	\$ 160,950	\$ 13,603
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	9,490	
Excess cost grant revenue is budgeted as a credit to education expenditures	1,419	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes:		
June 30, 2012	1,401	31
June 30, 2013	<u>(1,147)</u>	<u></u>
GAAP basis - Exhibit IV	<u>\$ 172,113</u>	<u>\$ 13,634</u>

## **Combining and Individual Fund Statements and Schedules**

**General Fund**

## **GENERAL FUND**

To account for the general operations of the Town except those required to be accounted for in another fund.

## TOWN OF MANCHESTER, CONNECTICUT

## GENERAL FUND

## COMPARATIVE BALANCE SHEET

JUNE 30, 2013 AND 2012

(In Thousands)

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,666	\$
Investments	1,378	4,874
Property taxes receivable (net of allowance for uncollectibles of \$997 in 2013 and 2012)	4,760	3,904
Accrued interest on taxes	1,482	1,221
Accounts receivable	96	949
Intergovernmental receivables	766	238
Due from special services district	25	32
Interfund receivables	18,835	17,045
Other assets	<u>37</u>	<u>147</u>
Total Assets	\$ <u>29,045</u>	\$ <u>28,410</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and other payables	\$ 2,278	\$ 2,029
Accrued liabilities	1,496	1,037
Intergovernmental payables	60	59
Deferred revenues	10,563	11,160
Total liabilities	<u>14,397</u>	<u>14,285</u>
Fund balance:		
Nonspendable	37	147
Committed	24	32
Assigned	2,764	3,310
Unassigned	11,823	10,636
Total fund balance	<u>14,648</u>	<u>14,125</u>
Total Liabilities and Fund Balance	\$ <u>29,045</u>	\$ <u>28,410</u>

## TOWN OF MANCHESTER, CONNECTICUT

GENERAL FUND  
REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

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Grand List	Uncollected Taxes July 1, 2012	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2013
		Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2011	\$ 127,339	\$ 1,868	\$ 1,421	\$ 2	\$ 127,784	\$ 125,048	\$ 478	\$ 2	\$ 125,528	\$ 2,736
2010	2,401	57	127	5	2,326	945	226	4	1,175	1,381
2009	1,082	15	39	4	1,054	290	94	1	385	764
2008	696		34	206	456	112	53	1	166	344
2007	293		33	1	259	43	41		84	216
2006	189		33	2	154	25	27		52	129
2005	90		18		72	10	20		30	62
2004	41		2		39	5	8		13	34
2003	23		2		21	3	4		7	18
2002	18				18	1	9		10	17
2001	17				17	1	2		3	16
2000	14				14	1	5		6	13
1999	13	1			14	1	2		3	13
1998	9				9	1			1	8
1997	8				8	1	1		2	7
Total	\$ <u>132,233</u>	\$ <u>1,941</u>	\$ <u>1,709</u>	\$ <u>220</u>	\$ <u>132,245</u>	126,487	970	8	127,465	\$ <u>5,758</u>
Suspense collections						<u>64</u>			<u>64</u>	
Total collections						\$ <u>126,551</u>	\$ <u>970</u>	\$ <u>8</u>	\$ <u>127,529</u>	



**Nonmajor  
Governmental Funds**

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each Special Revenue Fund is as follows:

<b>Fund</b>	<b>Funding Source</b>	<b>Function</b>
Police Special Services Fund	Charges for services	Police traffic control
Recreation Activities	Charges for services	Recreation leisure programs
Education Special Grants Fund	State and Federal grants	Educational purposes
Special Projects Fund	Various sources	Dedicated gifts and grants
Cafeteria Fund	Sale of food and grants	School food service program
Community Use of Schools	Charges for services	Rental of school facilities
Community Development Block Grant Fund	Federal grants	Community development activities
Housing Rehab	Grant and loan repayment	Improvement loans
Neighborhood Housing Predevelopment Fund	Intergovernmental revenue	Neighborhood housing activities
Levi Drake Fund	Trust and investment income	Library purposes
Emergency Employment Fund	Trust and investment income	General social welfare
Mary Cheney Library Fund	Trust and investment income	Purchase of books for the library
Whiton Library Fund	Trust and investment income	Support of library
Manchester Police Department Health and Welfare Fund	Trust and investment income	Needy Manchester Police and/or their survivors
Library Appreciation Fund	Trust and investment income	Library purposes
Foulds Family Foundation	Trust and investment income	Recreational programs
R. B. Bagley Memorial Book Fund	Trust and investment income	Purchase of books for the library
Trust Funds - Board of Education	Trust and investment income	Education related purposes
Wilma D. Marlow Fund	Trust and investment income	General support of library
Newton B. Taggart Fund	Trust and investment income	Purchase of books
East Cemetery Trust Fund	Trust and investment income	Perpetual care
Consolidated Cemetery Trust Fund	Trust and investment income	Perpetual care
Trust Funds Held at the Board of Education	Trust and investment income	Education related purposes
Library Trust Fund	Trust and investment income	Purchase of books for the library

### Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

<b>Fund</b>	<b>Funding Source</b>	<b>Function</b>
Jarvis Library Fund	Trust and investment income	Perpetual care

## TOWN OF MANCHESTER, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDSJUNE 30, 2013  
(In Thousands)

	Special Revenue Funds								
	Police Special Services Fund	Recreation Activities	Education Special Grants Fund	Special Projects Fund	Cafeteria Fund	Community Use of Schools	Community Development Block Grant Fund	Housing Rehab	Neighborhood Housing Predevelopment Fund
ASSETS									
Cash and cash equivalents	\$ 271	\$ 279	\$ 62	\$ 1,312	\$ 621	\$ 26	\$	\$ 32	\$ 47
Investments									
Accounts receivable	219			5	12		2	40	12
Intergovernmental receivables			494	25	540		124		
Interfund receivable								79	
Inventory					57				
Total Assets	\$ 490	\$ 279	\$ 556	\$ 1,342	\$ 1,230	\$ 26	\$ 126	\$ 151	\$ 59
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts and other payable	\$	\$ 10	\$ 215	\$ 86	\$ 180	\$	\$ 75	\$	
Accrued liabilities		2	61						
Interfund payable							45		
Deferred revenue		48	11				2	21	12
Total liabilities	-	60	287	86	180	-	122	21	12
Fund Balances:									
Nonspendable					57				
Restricted			269	1,256			4	130	47
Committed	490	219			993	26			
Total fund balances	490	219	269	1,256	1,050	26	4	130	47
Total Liabilities and Fund Balances	\$ 490	\$ 279	\$ 556	\$ 1,342	\$ 1,230	\$ 26	\$ 126	\$ 151	\$ 59

(Continued on next page)

**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2013**  
**(In Thousands)**

	Special Revenue Funds								
	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund	Library Appreciation Fund	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds - Board of Education
ASSETS									
Cash and cash equivalents	\$ 102	\$ 34	\$ 1	\$ 427	\$ 27	\$ 8	\$ 23	\$ 5	\$ 2
Investments	1			994					
Accounts receivable									
Intergovernmental receivables									
Interfund receivable									
Inventory									
Total Assets	<u>\$ 103</u>	<u>\$ 34</u>	<u>\$ 1</u>	<u>\$ 1,421</u>	<u>\$ 27</u>	<u>\$ 8</u>	<u>\$ 23</u>	<u>\$ 5</u>	<u>\$ 2</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts and other payable	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accrued liabilities									
Interfund payable									
Deferred revenue									
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:									
Nonspendable									
Restricted	103		1	1,421		8	23	5	2
Committed		34			27				
Total fund balances	<u>103</u>	<u>34</u>	<u>1</u>	<u>1,421</u>	<u>27</u>	<u>8</u>	<u>23</u>	<u>5</u>	<u>2</u>
Total Liabilities and Fund Balances	<u>\$ 103</u>	<u>\$ 34</u>	<u>\$ 1</u>	<u>\$ 1,421</u>	<u>\$ 27</u>	<u>\$ 8</u>	<u>\$ 23</u>	<u>\$ 5</u>	<u>\$ 2</u>

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**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2013**  
**(In Thousands)**

	<u>Special Revenue Funds</u>						<u>Permanent Fund</u>		
	<u>Wilma D. Marlow Fund</u>	<u>Newton B. Taggart Fund</u>	<u>East Cemetery Trust Fund</u>	<u>Consolidated Cemetery Trust Fund</u>	<u>Trust Funds Held at the Board of Education</u>	<u>Library Trust Fund</u>	<u>Jarvis Library Fund</u>	<u>Interfund Eliminations</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>									
Cash and cash equivalents	\$ 8	\$	\$ 123	\$ 8	\$ 133	\$ 76	\$	\$	\$ 3,627
Investments		973	424	264			2,325		4,981
Accounts receivable			4						294
Intergovernmental receivables									1,183
Interfund receivable								(79)	
Inventory									57
Total Assets	<u>\$ 8</u>	<u>\$ 973</u>	<u>\$ 551</u>	<u>\$ 272</u>	<u>\$ 133</u>	<u>\$ 76</u>	<u>\$ 2,325</u>	<u>\$ (79)</u>	<u>\$ 10,142</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts and other payable	\$	\$ 4	\$	\$	\$	\$	\$ 3	\$	\$ 573
Accrued liabilities									63
Interfund payable		22					12	(79)	
Deferred revenue									94
Total liabilities	<u>-</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>(79)</u>	<u>730</u>
Fund Balances:									
Nonspendable							750		807
Restricted	8	947	551	272	133	76	1,560		6,816
Committed									1,789
Total fund balances	<u>8</u>	<u>947</u>	<u>551</u>	<u>272</u>	<u>133</u>	<u>76</u>	<u>2,310</u>	<u>-</u>	<u>9,412</u>
Total Liabilities and Fund Balances	<u>\$ 8</u>	<u>\$ 973</u>	<u>\$ 551</u>	<u>\$ 272</u>	<u>\$ 133</u>	<u>\$ 76</u>	<u>\$ 2,325</u>	<u>\$ (79)</u>	<u>\$ 10,142</u>

**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(In Thousands)**

<b>Special Revenue Funds</b>									
	<b>Police Special Services Fund</b>	<b>Recreation Activities</b>	<b>Education Special Grants Fund</b>	<b>Special Projects Fund</b>	<b>Cafeteria Fund</b>	<b>Community Use of Schools</b>	<b>Community Development Block Grant Fund</b>	<b>Housing Rehab</b>	<b>Neighborhood Housing Predevelopment Fund</b>
Revenue:									
Intergovernmental revenue	\$	\$	\$ 8,712	\$ 1,420	\$ 2,123	\$	\$ 711	\$	\$
Investment income									
Net increase in the fair value of investments									
Charges for goods and services	928	259		46	1,022	101			
Other		6	322	257			4		
Total revenues	<u>928</u>	<u>265</u>	<u>9,034</u>	<u>1,723</u>	<u>3,145</u>	<u>101</u>	<u>715</u>	<u>-</u>	<u>-</u>
Expenditures:									
Current:									
General government				57			115		
Public works				82					
Public safety	1,016			1,175					
Human services				1,045			449		
Recreation		271		15					
Library				3					
Education			9,077		3,188	90			
Other									
Capital outlay							151		
Total expenditures	<u>1,016</u>	<u>271</u>	<u>9,077</u>	<u>2,377</u>	<u>3,188</u>	<u>90</u>	<u>715</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(88)</u>	<u>(6)</u>	<u>(43)</u>	<u>(654)</u>	<u>(43)</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):									
Transfers in		10		197		4			
Transfers out									
Total other financing sources (uses)	<u>-</u>	<u>10</u>	<u>-</u>	<u>197</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(88)	4	(43)	(457)	(43)	15	-	-	-
Fund balances, beginning of year	<u>578</u>	<u>215</u>	<u>312</u>	<u>1,713</u>	<u>1,093</u>	<u>11</u>	<u>4</u>	<u>130</u>	<u>47</u>
Fund balances, End of Year	<u>\$ 490</u>	<u>\$ 219</u>	<u>\$ 269</u>	<u>\$ 1,256</u>	<u>\$ 1,050</u>	<u>\$ 26</u>	<u>\$ 4</u>	<u>\$ 130</u>	<u>\$ 47</u>

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**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (CONTINUED)**

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**(In Thousands)**

	Special Revenue Funds								
	Levi Drake Fund	Emergency Employment Fund	Mary Cheney Library Fund	Whiton Library Fund	Police Department Health and Welfare Fund	Library Appreciation Fund	Foulds Family Foundation	R.B. Bagley Memorial Book Fund	Trust Funds - Board of Education
Revenue:									
Intergovernmental revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investment income	2			42					
Net increase in the fair value of investments	11			141					
Charges for goods and services									
Other					2				
Total revenues	13	-	-	183	2	-	-	-	-
Expenditures:									
Current:									
General government									
Public works									
Public safety									
Human services									
Recreation									
Library				8					
Education									
Other	1								
Capital outlay									
Total expenditures	1	-	-	8	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	12	-	-	175	2	-	-	-	-
Other financing sources (uses):									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	12	-	-	175	2	-	-	-	-
Fund balances, beginning of year	91	34	1	1,246	25	8	23	5	2
Fund balances, End of Year	\$ 103	\$ 34	\$ 1	\$ 1,421	\$ 27	\$ 8	\$ 23	\$ 5	\$ 2

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**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE (CONTINUED)**

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**(In Thousands)**

	<u>Special Revenue Funds</u>						<u>Permanent Fund</u>	
	<u>Wilma D. Marlow Fund</u>	<u>Newton B. Taggart Fund</u>	<u>East Cemetery Trust Fund</u>	<u>Consolidated Cemetery Trust Fund</u>	<u>Trust Funds Held at the Board of Education</u>	<u>Library Trust Fund</u>	<u>Jarvis Library Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenue:								
Intergovernmental revenue	\$	\$	\$	\$	\$	\$	\$	\$ 12,966
Investment income		31	12	9	1		71	168
Net increase in the fair value of investments		87	27	16			234	516
Charges for goods and services			55					2,411
Other						24		615
Total revenues	<u>-</u>	<u>118</u>	<u>94</u>	<u>25</u>	<u>1</u>	<u>24</u>	<u>305</u>	<u>16,676</u>
Expenditures:								
Current:								
General government								172
Public works								82
Public safety								2,191
Human services								1,494
Recreation								286
Library		23				3	31	68
Education					1			12,356
Other			6	5				12
Capital outlay								151
Total expenditures	<u>-</u>	<u>23</u>	<u>6</u>	<u>5</u>	<u>1</u>	<u>3</u>	<u>31</u>	<u>16,812</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>95</u>	<u>88</u>	<u>20</u>	<u>-</u>	<u>21</u>	<u>274</u>	<u>(136)</u>
Other financing sources (uses):								
Transfers in								211
Transfers out			(7)					(7)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204</u>
Net change in fund balances	-	95	81	20	-	21	274	68
Fund balances, beginning of year	8	852	470	252	133	55	2,036	9,344
Fund balances, End of Year	<u>\$ 8</u>	<u>\$ 947</u>	<u>\$ 551</u>	<u>\$ 272</u>	<u>\$ 133</u>	<u>\$ 76</u>	<u>\$ 2,310</u>	<u>\$ 9,412</u>



## **Internal Service Funds**

## **INTERNAL SERVICE FUNDS**

Information Services Fund: Operation of and staffing for the Town's central data processing facility is wholly supported by contributions from the Town's General, Water, Sewer, Sanitation and Fire Funds and the Downtown Special Services District Component Unit.

Manchester Self-Insurance Program (MSIP): All costs associated with the Town's risk management operations are centralized in this fund. Fund income is in the form of prorata contributions from the Town's General, Water, Sewer, Sanitation, Fire and Data Processing Funds.

Town of Manchester Medical Insurance Fund (TOMMIF): All costs associated with the funding and operation of a self-insured employees' health benefits fund.

**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**

**JUNE 30, 2013**  
**(In Thousands)**

	<u>Information Systems Fund</u>	<u>Manchester Self- Insurance Program</u>	<u>Town of Manchester Medical Insurance Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,606	\$ 8,909	\$ 8,140	\$ 18,655
Investments		65	7,294	7,359
Receivables			1,181	1,181
Prepaid expenses		12		12
Total current assets	<u>1,606</u>	<u>8,986</u>	<u>16,615</u>	<u>27,207</u>
Noncurrent assets:				
Capital assets, net	953			953
Total assets	<u>2,559</u>	<u>8,986</u>	<u>16,615</u>	<u>28,160</u>
<b>LIABILITIES AND NET POSITION</b>				
Liabilities:				
Current liabilities:				
Accounts and other payables	36	156		192
Claims payable		3,152	1,717	4,869
Compensated absences payable	80	8		88
Total current liabilities	<u>116</u>	<u>3,316</u>	<u>1,717</u>	<u>5,149</u>
Noncurrent liabilities:				
Compensated absences payable	211	1		212
Claims payable		4,525		4,525
Total noncurrent liabilities	<u>211</u>	<u>4,526</u>	<u>-</u>	<u>4,737</u>
Total liabilities	<u>327</u>	<u>7,842</u>	<u>1,717</u>	<u>9,886</u>
<b>NET POSITION</b>				
Net Position:				
Net investment in capital assets	953			953
Unrestricted	<u>1,279</u>	<u>1,144</u>	<u>14,898</u>	<u>17,321</u>
Total Net Position	<u>\$ 2,232</u>	<u>\$ 1,144</u>	<u>\$ 14,898</u>	<u>\$ 18,274</u>

**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**  
**(In Thousands)**

	<b>Information Systems Fund</b>	<b>Manchester Self- Insurance Program</b>	<b>Town of Manchester Medical Insurance Fund</b>	<b>Total</b>
Operating Revenues:				
Charges for services	\$ 1,759	\$ 3,520	\$ 24,622	\$ 29,901
Other	<u>598</u>	<u>598</u>	<u>24,622</u>	<u>598</u>
Total operating revenues	<u>1,759</u>	<u>4,118</u>	<u>24,622</u>	<u>30,499</u>
Operating Expenses:				
General operating	1,626	336	1,048	3,010
Claims expense		2,789	20,934	23,723
Depreciation expense	<u>283</u>			<u>283</u>
Total operating expenses	<u>1,909</u>	<u>3,125</u>	<u>21,982</u>	<u>27,016</u>
Operating Income (Loss)	(150)	993	2,640	3,483
Nonoperating Revenues:				
Interest on investments	<u>2</u>	<u>8</u>	<u>249</u>	<u>259</u>
Change in Net Position	(148)	1,001	2,889	3,742
Net Position at Beginning of Year	<u>2,380</u>	<u>143</u>	<u>12,009</u>	<u>14,532</u>
Net Position at End of Year	<u>\$ 2,232</u>	<u>\$ 1,144</u>	<u>\$ 14,898</u>	<u>\$ 18,274</u>

**TOWN OF MANCHESTER, CONNECTICUT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(In Thousands)**

	<b>Information Systems Fund</b>	<b>Manchester Self- Insurance Program</b>	<b>Town of Manchester Medical Insurance Fund</b>	<b>Total</b>
Cash Flows from Operating Activities:				
Cash received from users	\$ 1,759	\$ 3,520	\$ 24,200	\$ 29,479
Cash received from insurance proceeds		598		598
Cash paid to suppliers for goods and services	(741)	(71)	(1,048)	(1,860)
Cash paid to employees	(910)	(125)		(1,035)
Cash paid for insurance claims and premiums		(2,967)	(21,806)	(24,773)
Net cash provided by operating activities	<u>108</u>	<u>955</u>	<u>1,346</u>	<u>2,409</u>
Cash Flows from Noncapital Financing Activities:				
Cash provided by other funds		5,753		5,753
Cash paid to other funds			(1,350)	(1,350)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>5,753</u>	<u>(1,350)</u>	<u>4,403</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of fixed assets	(17)			(17)
Net cash used in capital and related financing activities	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>(17)</u>
Cash Flows from Investing Activities:				
Interest received	2	8	249	259
Sale of investments		248	7,895	8,143
Net cash provided by investing activities	<u>2</u>	<u>256</u>	<u>8,144</u>	<u>8,402</u>
Net Increase in Cash and Cash Equivalents	93	6,964	8,140	15,197
Cash and Cash Equivalents at Beginning of Year	<u>1,513</u>	<u>1,945</u>	<u>-</u>	<u>3,458</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,606</u>	<u>\$ 8,909</u>	<u>\$ 8,140</u>	<u>\$ 18,655</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (150)	\$ 993	\$ 2,640	\$ 3,483
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	283			283
Increase in accounts receivable and other prepaid assets		(9)	(422)	(431)
Increase (decrease) in accounts payable	(10)	150		140
Decrease in accrued expenses	(1)			(1)
Decrease in compensated absences payable	(14)	(11)		(25)
Decrease in claims payable		(168)	(872)	(1,040)
Net Cash Provided by Operating Activities	<u>\$ 108</u>	<u>\$ 955</u>	<u>\$ 1,346</u>	<u>\$ 2,409</u>

**Fiduciary Funds**

## **AGENCY FUNDS**

Plan Deposit Fund - Deposits held pending return of plans and specifications for various Town activities.

Student Activity Fund - To account for funds used for after school activities.

Senior Center Activities Fund - To account for funds used for senior citizens' activities.

Maintenance Bond Fund - Interest bearing funds held pending completion of obligations under contract with the Town.

Redevelopment Agency Fund - To account for SCPRIF loan from the State of Connecticut Department of Economic and Community Development to the Manchester Redevelopment Agency.

## TOWN OF MANCHESTER, CONNECTICUT

## AGENCY FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2013

(In Thousands)

	<u>Plan Deposit Fund</u>	<u>Student Activity Fund</u>	<u>Senior Center Activities Fund</u>	<u>Maintenance Bond Fund</u>	<u>Redevelopment Agency Fund</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ <u>20</u>	\$ <u>436</u>	\$ <u>44</u>	\$ <u>177</u>	\$ <u>4</u>	\$ <u>681</u>
<b>LIABILITIES</b>						
Deposits held for others	\$ <u>20</u>	\$ <u>436</u>	\$ <u>44</u>	\$ <u>177</u>	\$ <u>4</u>	\$ <u>681</u>



## TOWN OF MANCHESTER, CONNECTICUT

## AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2013  
(In Thousands)**

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<b>Plan Deposit Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>20</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20</u>
Liabilities:				
Deposits held for others	\$ <u>20</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20</u>
<b>Student Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>501</u>	\$ <u>947</u>	\$ <u>1,012</u>	\$ <u>436</u>
Liabilities:				
Deposits held for others	\$ <u>501</u>	\$ <u>947</u>	\$ <u>1,012</u>	\$ <u>436</u>
<b>Senior Center Activities Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>46</u>	\$ <u>15</u>	\$ <u>17</u>	\$ <u>44</u>
Liabilities:				
Deposits held for others	\$ <u>46</u>	\$ <u>15</u>	\$ <u>17</u>	\$ <u>44</u>
<b>Maintenance Bond Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>228</u>	\$ <u>24</u>	\$ <u>75</u>	\$ <u>177</u>
Liabilities:				
Deposits held for others	\$ <u>228</u>	\$ <u>24</u>	\$ <u>75</u>	\$ <u>177</u>
<b>Redevelopment Agency Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>4</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4</u>
Liabilities:				
Deposits held for others	\$ <u>4</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4</u>
<b>Total All Funds</b>				
Assets:				
Cash and cash equivalents	\$ <u>799</u>	\$ <u>986</u>	\$ <u>1,104</u>	\$ <u>681</u>
Liabilities:				
Deposits held for others	\$ <u>799</u>	\$ <u>986</u>	\$ <u>1,104</u>	\$ <u>681</u>

## **Statistical Section**

## Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

## TOWN OF MANCHESTER, CONNECTICUT

**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(In Thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005*</u>	<u>2004</u>
Governmental activities:										
Net investment in capital assets	\$ 100,236	\$ 103,203	\$ 99,265	\$ 94,969	\$ 104,570	\$ 85,637	\$ 89,227	\$ 68,196	\$ 56,406	\$ 10,349
Restricted	2,310	2,036	1,715	4,163	3,702	4,248	4,634	2,749	2,515	2,455
Unrestricted	<u>6,314</u>	<u>3,386</u>	<u>6,333</u>	<u>6,886</u>	<u>(1,969)</u>	<u>17,822</u>	<u>(3,330)</u>	<u>(6,672)</u>	<u>(1,422)</u>	<u>(2,576)</u>
Total governmental activities net position	<u>108,860</u>	<u>108,625</u>	<u>107,313</u>	<u>106,018</u>	<u>106,303</u>	<u>107,707</u>	<u>90,531</u>	<u>64,273</u>	<u>57,499</u>	<u>10,228</u>
Business-type activities:										
Net investment in capital assets	34,397	33,007	29,404	25,753	26,098	24,060	24,704	26,485	26,224	26,872
Unrestricted	<u>13,520</u>	<u>7,550</u>	<u>10,808</u>	<u>17,057</u>	<u>18,590</u>	<u>30,569</u>	<u>29,208</u>	<u>25,672</u>	<u>21,773</u>	<u>21,817</u>
Total business-type activities net position	<u>47,917</u>	<u>40,557</u>	<u>40,212</u>	<u>42,810</u>	<u>44,688</u>	<u>54,629</u>	<u>53,912</u>	<u>52,157</u>	<u>47,997</u>	<u>48,689</u>
☞ Primary government:										
Net investment in capital assets	134,633	136,210	128,669	120,722	130,668	109,697	113,931	94,681	82,630	37,221
Restricted	2,310	2,036	1,715	4,163	3,702	4,248	4,634	2,749	2,515	2,455
Unrestricted	<u>19,834</u>	<u>10,936</u>	<u>17,141</u>	<u>23,943</u>	<u>16,621</u>	<u>48,391</u>	<u>25,878</u>	<u>19,000</u>	<u>20,351</u>	<u>19,241</u>
Total Primary Government Net Position	<u>\$ 156,777</u>	<u>\$ 149,182</u>	<u>\$ 147,525</u>	<u>\$ 148,828</u>	<u>\$ 150,991</u>	<u>\$ 162,336</u>	<u>\$ 144,443</u>	<u>\$ 116,430</u>	<u>\$ 105,496</u>	<u>\$ 58,917</u>

\*Restated - retroactive reporting of infrastructure

Notes:

(1) Schedule prepared on the accrual basis of accounting.

TABLE 2

## TOWN OF MANCHESTER, CONNECTICUT

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(In Thousands)**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
General government	\$ 6,171	\$ 6,134	\$ 6,190	\$ 7,759	\$ 4,079	\$ 7,537	\$ 4,291	\$ 5,730	\$ 5,725	\$ 7,881
Public works	21,309	22,705	23,244	19,734	19,094	16,321	16,434	15,552	10,567	10,294
Public safety	35,564	35,008	33,808	31,919	32,588	37,270	27,214	25,374	25,185	24,203
Human services	4,480	4,499	5,114	4,063	5,213	5,246	4,176	4,389	4,044	5,303
Leisure services	6,682	6,910	6,230	6,443	6,288	5,714	5,379	5,274	4,704	4,892
Employee benefits							2,365	2,123	1,775	1,468
Education	130,554	129,950	123,384	122,609	125,273	135,716	103,790	98,998	90,410	90,925
Interest on long-term debt	3,277	3,155	3,297	3,505	3,580	3,333	2,385	2,053	1,722	1,770
Other							4,993	3,729	3,733	3,398
Total governmental activities expenses	208,037	208,361	201,267	196,032	196,115	211,137	171,027	163,222	147,865	150,134
Business-type activities:										
Water	7,654	8,223	9,060	7,647	8,525	6,725	6,862	6,196	6,266	6,196
Sewer	6,074	6,593	5,511	5,850	5,644	5,769	4,869	5,500	5,098	4,959
Sanitation	7,422	12,783	7,463	6,888	12,857	7,065	6,445	5,651	5,795	5,610
Total business-type services	21,150	27,599	22,034	20,385	27,026	19,559	18,176	17,347	17,159	16,765
Total primary government expenses	229,187	235,960	223,301	216,417	223,141	230,696	189,203	180,569	165,024	166,899
Program revenues:										
Governmental activities:										
Charges for services:										
General government	942	854	815	1,001	921	1,066	1,386	1,788	1,500	1,369
Public works	963	1,024	897	931	784	934	1,357	1,195	1,652	1,065
Public safety	1,594	1,309	1,349	1,677	1,470	1,634	1,130	893	1,293	1,124
Human services	169	135	216	221	80	91	146	95	64	71
Leisure services	665	862	848	827	791	706	649	673	674	705
Education	2,253	2,439	2,524	2,841	2,780	2,493	2,333	2,515	3,330	3,633
Operating grants and contributions	55,558	57,418	54,185	53,234	49,599	73,278	44,596	42,944	37,806	39,921
Capital grants and contributions	3,598	7,934	6,388	3,663	8,224	20,105	21,937	5,253	3,283	2,408
Total governmental activities program revenues	65,742	71,975	67,222	64,395	64,649	100,307	73,534	55,356	49,602	50,296
Business-type activities:										
Charges for services:			19,933	18,391	18,102	19,749	19,801	18,312	16,198	16,453
Water	8,156	7,749								
Sewer	7,389	7,010								
Sanitation	7,380	7,035								
Operating grants and contributions	680	3,791								94
Capital grants and contributions	7,302	1,113	289	187	236	264	238		65	1,277
Total business-type activities program revenues	30,907	26,698	20,222	18,578	18,338	20,013	20,039	18,312	16,263	17,824
Total primary government program revenues	96,649	98,673	87,444	82,973	82,987	120,320	93,573	73,668	65,865	68,120
Net (expense) revenue:										
Governmental activities	(142,295)	(136,386)	(134,045)	(131,637)	(131,466)	(110,830)	(97,493)	(107,866)	(98,263)	(99,838)
Business-type activities	9,757	(901)	(1,812)	(1,807)	(8,688)	454	1,863	965	(896)	1,059
Total primary government net expense	(132,538)	(137,287)	(135,857)	(133,444)	(140,154)	(110,376)	(95,630)	(106,901)	(99,159)	(98,779)

(Continued on next page)

TABLE 2

**TOWN OF MANCHESTER, CONNECTICUT**  
**CHANGES IN NET POSITION (CONTINUED)**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General revenues and other changes in net assets:										
Governmental activities:										
Property taxes	\$ 134,465	\$ 132,767	\$ 128,711	\$ 124,710	\$ 122,923	\$ 118,916	\$ 115,112	\$ 107,059	\$ 98,738	\$ 93,719
Grants and contributions not restricted to specific purposes	4,064	4,544	3,752	4,212	4,916	4,686	4,775	4,600	4,571	4,382
Unrestricted investment earnings	985	238	920	706	298	2,159	2,676	1,380	945	424
Miscellaneous	497	439	628	376	215	591	572	1,085	499	400
Premiums on bond issuance				65						
Transfers	2,519	(290)	1,329	1,283	1,710					
Total governmental activities	<u>142,530</u>	<u>137,698</u>	<u>135,340</u>	<u>131,352</u>	<u>130,062</u>	<u>126,352</u>	<u>123,135</u>	<u>114,124</u>	<u>104,753</u>	<u>98,925</u>
Business-type activities:										
Unrestricted investment earnings	(129)	888	438	1,059	457	1,917	1,185	663	675	310
Miscellaneous	251	68	105					3,048	92	
Premiums on bond issuance				153						
Transfers	(2,519)	290	(1,329)	(1,283)	(1,710)					
Total business-type activities	<u>(2,397)</u>	<u>1,246</u>	<u>(786)</u>	<u>(71)</u>	<u>(1,253)</u>	<u>1,917</u>	<u>1,185</u>	<u>3,711</u>	<u>767</u>	<u>310</u>
Total primary government	<u>140,133</u>	<u>138,944</u>	<u>134,554</u>	<u>131,281</u>	<u>128,809</u>	<u>128,269</u>	<u>124,320</u>	<u>117,835</u>	<u>105,520</u>	<u>99,235</u>
Changes in net position:										
Governmental activities	235	1,312	1,295	(285)	(1,404)	17,176	26,986	6,774	7,053	(163)
Business-type activities	7,360	345	(2,598)	(1,878)	(9,941)	717	1,755	4,160	(692)	619
Total Primary Government	<u>\$ 7,595</u>	<u>\$ 1,657</u>	<u>\$ (1,303)</u>	<u>\$ (2,163)</u>	<u>\$ (11,345)</u>	<u>\$ 17,893</u>	<u>\$ 28,741</u>	<u>\$ 10,934</u>	<u>\$ 6,361</u>	<u>\$ 456</u>

## Notes:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The Town began to allocate employee benefits and other category to appropriate function in fiscal year 2008.
- (3) Enterprise funds charges for services broken out starting in fiscal year 2012.

TABLE 3

## TOWN OF MANCHESTER, CONNECTICUT

**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(In Thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund:										
Reserved	\$	\$	\$	\$ 2,451	\$ 1,787	\$ 2,328	\$ 1,045	\$ 1,561	\$ 1,347	\$ 1,211
Unreserved				13,049	14,490	16,316	16,298	13,829	10,591	7,960
Nonspendable	37	147	39							
Committed	24	32	40							
Assigned	2,764	3,310	5,515							
Unassigned	<u>11,823</u>	<u>10,636</u>	<u>10,053</u>							
Total General Fund	<u>14,648</u>	<u>14,125</u>	<u>15,647</u>	<u>15,500</u>	<u>16,277</u>	<u>18,644</u>	<u>17,343</u>	<u>15,390</u>	<u>11,938</u>	<u>9,171</u>
All other governmental funds:										
Reserved				3,835	4,234	6,638	10,947	33,567	9,533	3,540
Unreserved, reported in:										
Special revenue funds				7,554	5,922	5,605	4,452	3,791	3,211	3,176
Capital project funds				(3,221)	(7,341)	3,913	(20,039)	(42,073)	(7,685)	3,621
Nonspendable	1,144	1,148	798							
Restricted	6,816	6,626	6,147							
Committed	3,421	3,962	4,410							
Unassigned	<u>(10,349)</u>	<u>(12,174)</u>	<u>(7,522)</u>							
Total All Other Governmental Funds	\$ <u>1,032</u>	\$ <u>(438)</u>	\$ <u>3,833</u>	\$ <u>8,168</u>	\$ <u>2,815</u>	\$ <u>16,156</u>	\$ <u>(4,640)</u>	\$ <u>(4,715)</u>	\$ <u>5,059</u>	\$ <u>10,337</u>

Note 1: Schedule prepared on the modified accrual basis of accounting.

Note 2: Information for years prior to the implementation of GASB Statement No. 54 has not been restated.

TABLE 4

**TOWN OF MANCHESTER, CONNECTICUT**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
Property taxes, interest and lien fees	\$ 133,330	\$ 131,951	\$ 129,160	\$ 124,547	\$ 122,423	\$ 119,165	\$ 114,568	\$ 107,098	\$ 99,321	\$ 94,287
Intergovernmental revenue	62,472	68,968	64,073	60,523	62,680	96,007	68,869	52,109	46,406	47,332
Investment and interest income	726	109	906	679	169	1,806	2,365	1,656	1,243	483
Licenses, permits and fines	1,788	1,814	1,637	1,882	1,700	1,922	3,291	2,801	2,759	2,368
Charges for goods and services	4,544	4,308	4,688	5,471	5,154	5,001	3,664	3,893	4,281	4,573
Other	1,260	1,722	1,152	919	624	686	2,212	674	1,151	1,004
Total revenues	<u>204,120</u>	<u>208,872</u>	<u>201,616</u>	<u>194,021</u>	<u>192,750</u>	<u>224,587</u>	<u>194,969</u>	<u>168,231</u>	<u>155,161</u>	<u>150,047</u>
<b>Expenditures:</b>										
General government	5,445	5,417	5,259	5,768	5,180	5,230	5,075	5,004	5,031	4,789
Public works	13,189	12,215	12,815	12,350	12,378	11,822	11,273	10,329	9,650	9,116
Public safety	32,612	31,700	30,234	28,708	28,305	27,628	27,224	25,115	24,292	23,029
Human services	4,129	4,152	4,629	4,022	4,287	3,803	3,972	4,162	4,098	4,982
Leisure services	5,912	6,215	5,481	5,386	5,478	5,477	5,196	5,108	4,774	4,712
Employee benefits	2,876	2,951	2,775	2,636	2,473	2,467	2,365	2,123	1,775	1,468
Education	125,423	125,193	120,603	117,444	114,157	133,564	103,878	98,454	90,198	89,430
Internal service fund charges	2,613	2,561	2,883	3,131	4,738	4,629	3,772	3,059	2,923	2,569
Other	717	661	706	1,445	918	1,341	1,178	670	579	815
Debt service:										
Principal	6,659	14,847	6,596	5,786	5,850	4,044	3,240	3,255	2,550	2,880
Interest	2,915	(5,592)	2,644	3,155	3,564	2,941	1,942	1,889	1,833	1,435
Capital outlay	12,381	20,239	12,508	10,464	22,840	40,438	43,191	16,501	10,602	7,915
Total expenditures	<u>214,871</u>	<u>220,559</u>	<u>207,133</u>	<u>200,295</u>	<u>210,168</u>	<u>243,384</u>	<u>212,306</u>	<u>175,669</u>	<u>158,305</u>	<u>153,140</u>
Excess of revenue under expenditures	<u>(10,751)</u>	<u>(11,687)</u>	<u>(5,517)</u>	<u>(6,274)</u>	<u>(17,418)</u>	<u>(18,797)</u>	<u>(17,337)</u>	<u>(7,438)</u>	<u>(3,144)</u>	<u>(3,093)</u>
<b>Other financing sources (uses):</b>										
Transfers in	5,938	4,706	4,449	5,059	5,111	6,650	5,793	3,457	4,092	3,598
Transfers out	(3,419)	(4,990)	(3,120)	(3,776)	(3,401)	(4,996)	(4,476)	(2,941)	(3,478)	(2,797)
Other							98	600		
Issuance of debt	9,505	5,990		9,396		39,240	17,624			
Issuance of bond refunding		8,225		4,865					6,800	12,075
Premium on bond refunding		890		243						
Payments to escrow agent		(9,010)		(5,001)					(6,760)	
Bond premium	721	83		65						
Discount on bond refunding									(21)	
Total other financing sources	<u>12,745</u>	<u>5,894</u>	<u>1,329</u>	<u>10,851</u>	<u>1,710</u>	<u>40,894</u>	<u>19,039</u>	<u>1,116</u>	<u>633</u>	<u>12,876</u>
Net Change in Fund Balances	<u>\$ 1,994</u>	<u>\$ (5,793)</u>	<u>\$ (4,188)</u>	<u>\$ 4,577</u>	<u>\$ (15,708)</u>	<u>\$ 22,097</u>	<u>\$ 1,702</u>	<u>\$ (6,322)</u>	<u>\$ (2,511)</u>	<u>\$ 9,783</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>										
	<u>4.66%</u>	<u>4.51%</u>	<u>4.46%</u>	<u>4.68%</u>	<u>4.82%</u>	<u>3.46%</u>	<u>3.06%</u>	<u>3.23%</u>	<u>2.97%</u>	<u>2.97%</u>

## Notes:

(1) Schedule prepared on the modified accrual basis of accounting.



TABLE 5

## TOWN OF MANCHESTER, CONNECTICUT

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(In Thousands)**

Fiscal Year	Real Property		Industrial	Personal Property	Motor Vehicle	Less Tax-Exempt Property*	Total Taxable Assessed Value	Total Town Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential	Commercial								
2013	\$ 2,133,582	\$ 1,445,633	\$ 199,148	\$ 347,844	\$ 330,040	\$ 568,575	\$ 3,887,672	35.83	\$ 7,128,391	54.54%
2012	2,464,487	1,541,457	211,699	331,365	311,384	578,803	4,281,589	31.98	7,252,709	58.66%
2011	2,452,753	1,538,307	210,850	316,399	299,415	563,290	4,254,434	31.28	7,990,547	53.24%
2010	2,451,856	1,519,057	212,796	335,060	300,428	552,812	4,266,385	30.32	8,004,181	53.30%
2009	2,445,731	1,495,555	214,657	326,072	317,059	962,332	3,836,742	32.98	7,358,998	52.14%
2008	2,430,203	1,482,835	217,940	312,160	315,314	1,372,034	3,386,418	36.05	6,797,794	49.82%
2007	1,487,180	1,041,739	173,609	312,851	310,740	394,256	2,931,863	40.14	6,451,935	45.44%
2006	1,461,532	1,034,848	175,278	309,444	293,308	398,493	2,875,917	38.07	5,760,676	49.92%
2005	1,442,345	1,028,120	175,466	306,721	273,862	398,665	2,827,849	36.07	5,282,639	53.53%
2004	1,426,396	1,009,683	180,910	295,928	291,474	391,569	2,812,822	34.31	4,486,068	62.70%

Source: Town of Manchester Office of Tax Assessor

Note: Estimated values are established by the State of Connecticut Office of Policy and Management and the Town of Manchester Assessor's Office based on the ratio of sales price to assessed value.

\*2008 Exemption includes the non-taxed portion of phased-in assessments.

TABLE 6

## TOWN OF MANCHESTER, CONNECTICUT

**PRINCIPAL PROPERTY TAXPAYERS  
GRAND LIST YEARS 2011 AND 2002  
(In Thousands)**

<u><b>Taxpayer</b></u>	<u><b>October 1, 2011</b></u>			<u><b>October 1, 2002</b></u>		
	<u><b>Taxable Assessed Value</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total Town Taxable Assessed Value</b></u>	<u><b>Taxable Assessed Value</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total Town Taxable Assessed Value</b></u>
Pavilions at Buckland Hills LLC, et al	\$ 116,976	1	3.01	\$ 86,440	1	3.11
J.C. Penney Properties, Inc	72,760	2	1.87	57,169	2	2.06
Connecticut Light and Power Co.	70,645	3	1.82	27,231	4	0.98
Northland Pavilions, LLC	57,003	4	1.47	48,783	3	1.76
Manchester Developers, LLC	39,323	5	1.01	19,205	7	0.69
Manchester Tolland Development	26,108	6	0.67			
Gateway Lauren, LLC	25,421	7	0.65			
TGM Waterford LLC*	22,279	8	0.57			
Plaza at Buckland Hills LLC	22,230	9	0.57			
Manchester Tarragon LLC	20,998	10	0.54			
May Company				22,304	5	0.80
Downeast Associates				22,111	6	0.80
Walmart/Sam's Club				19,714	8	0.71
L&J Manchester LLC				19,024	9	0.68
Olmstead Commons Master LLC				14,737	10	0.53
<b>TOTAL</b>	<u><u>\$ 473,743</u></u>			<u><u>\$ 336,718</u></u>		

Source: Town of Manchester, Office of Tax Assessor

\* TGM Waterford LLC purchased the property formerly owned by the California State Teacher's Retirement System.

TABLE 7

**TOWN OF MANCHESTER, CONNECTICUT**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

Fiscal Year Ended June 30,	Tax Rate in Mills	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of The Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2013	35.83	\$ 127,784	\$ 125,048	97.86%	\$	\$ 125,048	97.86%
2012	31.98	123,389	120,953	98.03%	945	121,898	98.79%
2011	31.28	124,351	122,311	98.36%	1,268	123,579	99.38%
2010	30.32	123,818	121,712	98.30%	1,542	123,254	99.54%
2009	32.98	122,270	120,113	98.24%	1,624	121,737	99.56%
2008	36.05	117,967	116,029	98.36%	1,773	117,802	99.86%
2007	40.14	114,402	112,401	98.25%	1,920	114,321	99.93%
2006	38.07	106,324	104,531	98.31%	1,756	106,287	99.97%
2005	36.07	98,652	97,189	98.52%	1,442	98,631	99.98%
2004	34.31	93,254	91,767	98.41%	1,479	93,246	99.99%

Source: Tax Collector's Report; Comprehensive annual financial report

TABLE 8

**TOWN OF MANCHESTER, CONNECTICUT**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(in thousands, except per capita)**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Ratio of Debt to Taxable Assessed Value	Debt Per Capita
	General Obligation Bonds	Capital Leases	Water	Sewer				
2013	\$ 80,300	\$	\$	\$	\$ 80,300	4.22%	2.07%	\$ 1,377.62
2012	76,443	324			76,767	4.57%	1.79%	1,317.05
2011	76,279	636			76,915	4.12%	1.81%	1,318.08
2010	82,188	1,323		865	84,376	5.76%	1.98%	1,496.43
2009	78,218	1,987		1,713	82,170	5.66%	2.14%	1,471.08
2008	84,135	2,795		2,545	89,785	6.20%	2.65%	1,610.86
2007	48,880	3,709		3,360	56,318	3.90%	1.92%	1,012.00
2006	34,437	4,618		4,160	49,958	3.46%	1.74%	898.98
2005	37,635	3,598		4,943	46,661	3.24%	1.65%	817.32
2004	40,185	4,655		5,711	50,551	3.52%	1.79%	884.27

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

## TOWN OF MANCHESTER, CONNECTICUT

## STATEMENT OF DEBT LIMITATION

JUNE 30, 2013

(In Thousands)

Total tax collections (including interest and lien fees) received for year ended June 30, 2013	\$ 127,529				
Reimbursement for revenue loss on:					
Tax relief for elderly - freeze	<u>6</u>				
BASE	<u>\$ 127,535</u>				
	<b><u>General Purpose</u></b>	<b><u>Schools</u></b>	<b><u>Sewers</u></b>	<b><u>Urban Renewal</u></b>	<b><u>Pension Deficit</u></b>
Debt limitation:					
2-1/4 times base	\$ 286,954	\$	\$	\$	\$
4-1/2 times base		573,908			
3-3/4 times base			478,256		
3-1/4 times base				414,489	
3 times base					<u>382,605</u>
Total debt limitation	<u>286,954</u>	<u>573,908</u>	<u>478,256</u>	<u>414,489</u>	<u>382,605</u>
Indebtedness:					
Bonds payable	35,574	43,801			
Bonds anticipation notes	1,495		2,275		
Debt authorized but unissued	19,543	9,800	105		
School construction grants receivable		<u>(105)</u>			
Net indebtedness	<u>56,612</u>	<u>53,496</u>	<u>2,380</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of					
Outstanding and Authorized Debt	<u>\$ 230,342</u>	<u>\$ 520,412</u>	<u>\$ 475,876</u>	<u>\$ 414,489</u>	<u>\$ 382,605</u>

Note (1): In no case shall total indebtedness exceed \$892,745 (seven times annual base for debt limitation computations).

Note (2): Bond anticipation notes payable do not include water bond anticipation notes of \$15,618, which are considered to be self-financing.

**TOWN OF MANCHESTER, CONNECTICUT**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>(b) Percentage of Estimated Actual Taxable Value of Property</b>	<b>(a) Debt Per Capita</b>
2013	\$ 80,300	1.13%	\$ 1,377.62
2012	76,443	1.05%	1,311.49
2011	76,279	0.95%	1,307.18
2010	83,053	1.04%	1,472.96
2009	79,931	1.09%	1,435.50
2008	86,680	1.28%	1,560.69
2007	52,240	0.82%	946.68
2006	38,597	0.79%	816.01
2005	42,578	0.82%	777.46
2004	45,896	1.02%	829.48

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(a) See Table 12 for population figures

(b) See Table 5 for estimated actual taxable value of property

TABLE 11

## TOWN OF MANCHESTER, CONNECTICUT

**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
(In Thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt limitation	\$ 892,745	\$ 862,722	\$ 877,422	\$ 869,694	\$ 857,332	\$ 834,302	\$ 803,306	\$ 750,659	\$ 696,367	\$ 662,305
Total net debt applicable to limit	<u>112,488</u>	<u>109,094</u>	<u>83,154</u>	<u>102,551</u>	<u>95,310</u>	<u>93,663</u>	<u>93,399</u>	<u>38,860</u>	<u>41,306</u>	<u>62,839</u>
Legal Debt Margin	<u>\$ 780,257</u>	<u>\$ 753,628</u>	<u>\$ 794,268</u>	<u>\$ 767,143</u>	<u>\$ 762,022</u>	<u>\$ 740,639</u>	<u>\$ 709,907</u>	<u>\$ 711,799</u>	<u>\$ 655,061</u>	<u>\$ 599,466</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.42%	14.48%	10.47%	13.37%	11.12%	11.23%	11.63%	5.18%	5.93%	9.49%

Source: Comprehensive annual financial report - Statement of Debt Limitation

Note: See Table 9 for calculation of current year debt limitation.

**TOWN OF MANCHESTER, CONNECTICUT**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN CALENDAR YEARS**

<b>Calendar Year</b>	<b>Population(1)</b>	<b>Personal Income(2) (thousands of dollars)</b>	<b>Per Capita Income(2)</b>	<b>Median Age(2)</b>	<b>School Enrollment(3)</b>	<b>Unemployment Rate(4)</b>
2013	58,289	\$ 1,903,019	\$ 32,648	36.9	7,402	7.88%
2012	58,287	1,679,307	28,811	36.5	7,071	8.12%
2011	58,354	1,867,678	32,006	37.7	7,518	8.80%
2010	56,385	1,465,390	25,989	36.5	7,461	8.70%
2009	55,857	1,451,668	25,989	36.5	7,284	8.50%
2008	55,738	1,448,575	25,989	36.5	7,204	5.60%
2007	55,572	1,444,261	25,989	36.5	7,360	4.50%
2006	55,563	1,444,027	25,989	36.5	7,463	4.8%
2005	55,389	1,439,505	25,989	36.5	7,715	4.7%
2004	55,331	1,437,997	25,989	36.5	7,811	4.6%

(1) Source: State of CT Dept of Health

(2) Source: U.S. Department of Commerce, Bureau of Census. (2009 inflation adjusted)

(3) Source: Assistant to Superintendent of Schools, Town of Manchester

(4) Source: Connecticut Department of Labor



TABLE 13

TOWN OF MANCHESTER, CONNECTICUT

PRINCIPAL EMPLOYERS

2013 AND 2004

Employer	Nature of Business	2013			Employer	Nature of Business	2004		
		Employees	Rank	Percentage of Total Town Employment			Employees	Rank	Percentage of Total Town Employment
Town of Manchester	Local Gov/Board of Ed	1,672	1	5.69%	Town of Manchester	Local Gov/Board of Ed	1,565	1	5.32%
Manchester Memorial Hosp.	General Hospital	1,500	2	5.10%	Manchester Memorial Hosp.	General Hospital	1048	2	3.56%
J.C. Penney Company	Warehouse/Distribution	750	3	2.55%	J.C. Penney Company	Distribution Center/Outlet	900	3	3.06%
Manchester Community College	College	725	3	2.47%	Dynamic Metal Works	Sheet Metal Fabrication	567	4	1.93%
Target	Retail	400	5	1.36%	Gerber Scientific	Research Product Develop.	400	5	1.36%
GE Aviation	Parts Manufacturer	400	6	1.36%	Allied Printing Services	General Printing Services	320	6	1.09%
Super Stop & Shop	Supermarket	381	7	1.30%	Scan Optics	Data Processing	290	7	0.99%
J.C. Penney Company	Retail/Distribution	350	8	1.19%	Journal Publishing	Daily Newspaper Prod.	280	8	0.95%
Allied Printing	Commercial Printing	330	9	1.12%	Savings Bank of Manchester	Savings Bank	212	9	0.72%
Big Y World Class Market	Supermarket	300	10	1.02%	Rogers Corporation	Plastics Manufacturer	130	10	0.44%
		6,808		23.16%			5,712		19.42%

Source: Town of Manchester Planning Department and Official Statements  
 2013 Percentage based on total employed population of 29,410 per the Department of Commerce, Bureau of the Census, 2000

TABLE 14

## TOWN OF MANCHESTER, CONNECTICUT

**FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>Full-Time-Equivalent Employees as of June 30,</b>									
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
General government	80.40	80.40	86.40	88.75	90.25	93.50	92.50	92.25	97.25	97.25
Police	154.50	154.50	154.50	154.50	158.50	158.50	158.50	157.50	156.50	155.50
Fire	82.00	82.00	82.00	82.00	82.00	82.00	82.00	83.00	81.00	85.00
Sanitation	12.10	12.10	12.10	12.10	11.10	9.05	9.00	9.00	9.00	9.00
Other public works	147.40	148.40	148.40	148.40	149.40	149.45	149.75	151.15	151.50	157.50
Recreation	14.00	14.00	8.50	8.50	9.50	9.50	9.50	9.50	9.00	9.00
Library	25.00	25.00	26.00	27.00	27.00	27.00	27.00	27.00	26.00	27.00
Education	<u>1,158.13</u>	<u>1,197.67</u>	<u>1,170.71</u>	<u>1,175.00</u>	<u>1,161.25</u>	<u>1,156.00</u>	<u>1,129.00</u>	<u>1,109.00</u>	<u>1,133.00</u>	<u>1,073.00</u>
<b>TOTAL</b>	<u><u>1,673.53</u></u>	<u><u>1,714.07</u></u>	<u><u>1,688.61</u></u>	<u><u>1,696.25</u></u>	<u><u>1,689.00</u></u>	<u><u>1,685.00</u></u>	<u><u>1,657.25</u></u>	<u><u>1,638.40</u></u>	<u><u>1,663.25</u></u>	<u><u>1,613.25</u></u>

Source: Adopted Budget Books for General Government Preliminary Official Statements for Education

Note: Certain prior year figures have been restated due to better information available at June 30, 2008.

**TOWN OF MANCHESTER, CONNECTICUT**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government:										
Building permits issued	3,003	3,018	3,100	3,127	3,161	2,926	3,340	3,744	4,160	3,618
Building inspections conducted	4,986	6,498	5,194	6,890	6,830	6,797	7,769	9,017	9,275	7,270
Police:										
Physical arrests	3,391	4,157	4,694	3,549	3,525	3,548	4,121	3,862	3,887	3,309
Parking violations (unavailable pre FY06)	1,863	1,096	1,698	1,743	2,078	2,897	3,220	2,467		
Traffic violations	1,617	2,281	4,999	8,944	6,885	7,233	6,367	4,587	4,587	4,339
Fire:										
Emergency responses	7,790	8,373	8,206	8,097	7,902	7,674	7730	6,456	7705	7,696
Structure Fires (fires extinguished)	30	39	39	31	24	42	53	36	49	43
Inspections	1,394	956	828	1,246	1,858	989	650	610	1079	977
Refuse collection:										
Refuse collected (tons per day)	50.11	52.85	52.04	41.40	41.40	40.15	44	45	44	43
Recyclables collected (tons per day)	18.2	19.5	19.7	10.4	10.4	12.3	10	10	10	10
Other public works:										
Street resurfacing (miles)	8.30	6.80	6.30	9.60	10.80	6.00	6.36	6.36	5.69	5.58
Parks and recreation:										
Athletic field permits issued (unavailable)										
Community center admissions (unavailable prior to 08)	105,280	112,000	112,000	110,000	104,000	79,000				
Library:										
Volumes in collection (thousands)	242.3	243.2	262.1	239.7	238.4	228.8	221.8	215.1	210.8	208.7
Total volumes borrowed (thousands)	777.9	825.4	846.8	859.0	834.5	797.1	747.1	739.4	769.0	859.8
Water:										
New connections	5	8	17	17	45	16	72	97	209	58
Water main breaks	17	15	7	18	10	12	14	4	13	14
Average daily production (thousands of gallons)	4,972	5,019	5,375	5,178	5,320	5,560	5,500	4,666	4,709	4,490
Peak daily production (thousands of gallons)	7,480	8,220	8,400	7,040	7,750	8,070	8,130	7,130	9,100	7,990
Sewer Enterprises:										
Average daily sewage treatment (thousands of gallons)	6,200	6,835	6,150	6,552	6,465	5,560	5,500	4,666	4,709	4,490

Source: Internal Department Tracking Reports

TABLE 16

**TOWN OF MANCHESTER, CONNECTICUT**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>Function/Program</u></b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	3	3	2	1	2	3	3	3	3	3
Patrol units	8	8	8	8	8	7	7	7	7	7
Fire stations	5	5	5	5	5	5	5	5	5	5
Other public works:										
Streets (miles)	218.1	218.0	217.0	217.0	217.0	214.0	213.1	197.7	197.7	197.3
Streetlights	4,820	4,717	4,710	4,698	4,698	4,674	4,688	4,672	4,624	4,594
Traffic signals	52	52	52	51	51	51	50	50	49	49
Parks and recreation:										
Acreage	677	677	677	677	677	677	677	677	677	677
Playgrounds	23	23	23	23	23	23	23	22	22	22
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	22
Soccer/football fields	14	14	13	13	13	13	13	13	13	13
Water:										
Water mains (miles)	258	258	257	280	278	255	255	254	243	242
Fire hydrants	2,026	2,021	1,990	1,969	1,970	1,954	1,876	1,812	1,812	1,788
Storage capacity (thousands of gallons)	7,179	7,179	7,179	7,179	7,179	7,179	7,179	7,179	7,179	7,179
Wastewater:										
Sanitary sewers (miles)	167	166	167	167	166	164	161	181.5 *	181.5	181.5
Storm sewers (miles)	143	142	139	163	163	163	150	150	150	150
Treatment capacity (thousands of gallons)	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Transit - mini-buses:										
Administrative buildings	1	1	1	1	1	1	1	1	1	1

## Sources:

Police Department annual reports

Public Works and Recreation Town records

\* For fiscal years 2006 and prior, the Eighth Utility District was included in these figures.